
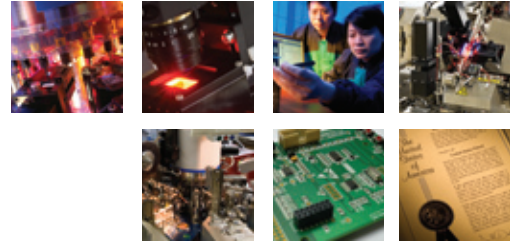




DRAGON GROUP INTERNATIONAL LIMITED

A member of 



ANNUAL REPORT 2009



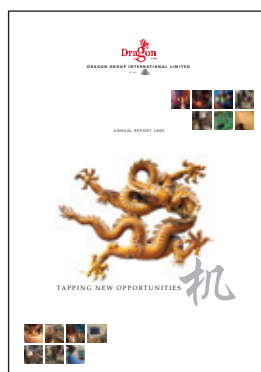
TAPPING NEW OPPORTUNITIES

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Cover Rationale

The dragon reiterates our leadership position in our industry in China and depicts the power and thrust of DGI in the country.

ABOUT DGI



The Dragon Group International Limited (“Dragon Group” or “DGI”), previously known as Flextech Holdings Limited, was founded in 1990. The Dragon Group provides Distribution & 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”) and Distribution & Services.

Headquartered in Singapore, the Dragon Group is the Distribution & 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



Geographically, China will remain our focus as we continue to expand and anchor our footprints in the country. Recent events have proven the country's resilience and the nimbleness of the Chinese government to quickly react and isolate its economy from the effects of global financial turmoil.

Dear Shareholders,

While the world looked at the events of 2009 with abated breath, we took the opportunity to review, rationalise and realign our business and resources. The result is a leaner operation, lower bank borrowings and significantly reduced expenses by the close of FY2009. Nonetheless, despite a stronger final quarter, affected by the global economic contraction, we closed the year with a net loss of \$7.9 million after taking into account \$7.0 million incurred in impairments of fixed and financial assets and provision for the disposal of subsidiaries.

Within DGI we are constantly reviewing and re-evaluating our businesses. To overcome the challenging market conditions the changes were faster and of larger magnitude this year. We contracted both our supplier and customer bases and focused our efforts on niche business areas with good growth potentials. Reduction in our bank borrowings resulted in significantly lower financing costs. Subsequently, the

contraction in some parts of our businesses releases resources for us to recruit new people with the skill sets that we require. By realigning our resources we were able to mitigate certain business risks while pursuing our growth strategy.

Geographically, China will remain our focus as we continue to expand and anchor our footprints in the country. Recent events have proven the country's resilience and the nimbleness of the Chinese government to quickly react and isolate its economy from the effects of global financial turmoil. More importantly, the world witnessed the acumen and shrewdness of China when it acted swiftly to acquire and invests in strategic but financially stressed businesses. Today, the world's largest organisation is from China, one of the world's major oil and gas drilling company was sold to China, one of the world's foremost private equity firms is now owned by China and Chinese banks proliferates the world. In less than two decades from the time when the late Mr Deng

A LETTER TO SHAREHOLDERS



Xiao Ping opened China's economy, the growth of this country has been nothing short of astounding and the world listens when China speaks.

Since the burst of the dot com bubble at the turn of 2000, the performance of the IT industry started to deteriorate. A decade of famine has changed the fate of many IT companies. Those who cannot adapt are now history while others merged to survive. Into the new decade, I foresee the arrivals of new IT applications that will once again bring changes to our lives. Three key needs will spur the arrival of new applications: mobility, wireless accessibility and power consumption.

The global infrastructure is ready to accommodate many of our needs. Going forward, users need devices that are highly powerful and portable, convenient and fast wireless access to the internet "on-the-go" and devices that have lower power consumption. Consumers and businesses are hungry for new solutions. Some of the examples that we can see around us are the Apple iPhone and the netbooks. The already mobile world will become even more mobile and a new facet to communication will emerge. In the larger scheme of things, the purchasing power of modern China cannot be underestimated and

DGI is already strategically positioned to meet these new needs.

Anticipating these changes, we continue to invest in our research and development efforts. Enconced in a population of more than 1.3 billion people, we have a ready source of human capital in our backyard and a ready market with growing purchasing power in front of us. Herein lies the power of DGI. I once said "China had history, and will always have history, and her history will be her future." This is also the future of DGI.

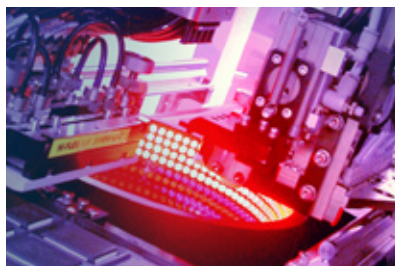
Having weathered a difficult year, on behalf of my colleagues at DGI, I thank all our stakeholders for their trust and confidence in us and we look forward to your support in the new financial year. To all our customers, bankers, employees and business associates, thank you for your dedication and hard work. The road ahead will not be easy, nevertheless, let us be honest, hardworking and harmonious, take good care of our families and friends and have some fun at the same time.

Yours sincerely,

DATO' MICHAEL LOH
*Executive Chairman and
Chief Executive Officer*



OPERATION REVIEW



Relative to the second half of the year, business was relatively slow in the first half due to global economic uncertainties and weak consumer demand. Despite the 6.5% revenue improvement in the fourth quarter of the year, the Group reported 23.2% decrease in its full year revenue, which decreased from \$300.8 million (FY2008) to \$231.1 million (FY2009).

By business segment, revenue from the Electronics Distribution business, which accounted for 98.8% of the Group's aggregate revenue, reported a decline of 22.6% to \$228.3 million due mainly to the cessation of certain business divisions and weaker demand in the first nine months of FY2009. Revenue contribution from the Semiconductor Test & Consumable business, which accounted for 1.2% of the Group's revenue, was 53.2% lower declining from \$6.0 million (FY2008) to \$2.8 million this year.

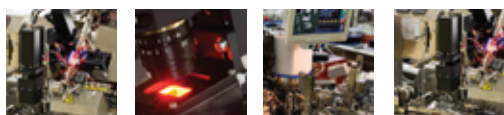
The implementation of cost control measures gave rise to lower operating expenses, which decreased by 27.8% from \$31.1 million to \$22.4 million (FY2009). Financing costs were also lower, declining from \$4.2 million to \$2.8 million due to the lower utilisation of trade receivables and reduced bank borrowings. Included in the accounts of FY2008 were a \$3.8 million provision for doubtful debt. In FY2009, the Group has taken a one-off repayment charge on an available-for-sale financial asset and

assets of Semiconductor Test & Consumables business. These exceptional items amounted to \$7.0 million.

At the close of the year, the Group reported a net operating profit of \$0.06 million, an improvement from the loss of \$5.3 million reported in the previous financial year.

Other salient points this year include the reduction of our bank borrowings, lower inventory and the Group's healthy cash position. The Group's inventory balance decreased from \$23.6 million to \$17.4 million due to improvement in inventory management. Bank borrowings were lower, decreasing from \$31.4 million to \$24.2 million due to repayment of bank loans in FY2009. At the close of FY2009, the Group has a balance of \$20.7 million in cash and cash equivalents compared to \$24.2 million in FY2008. The difference is mainly attributable to cash used for redemption of bank borrowings during the year.

While business has picked up in the second half of FY2009, according to the Semiconductor Industry Association ("SIA"), it expects the return of the normal seasonal patterns, suggesting that there may be a modest slowdown in the first quarter of 2010. In view of the current market conditions, we will continue with our efforts at cost-efficiency management and strengthen our operations and competitive capabilities.



BOARD OF DIRECTORS



Dato' Michael Loh Soon Gnee, 54
Executive Chairman & Chief Executive Officer

Bachelor of Science
Double major in Business Economics & 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.



Dr Yu Kenneth Keung Yum, 62
Executive Director and Chief Operating Officer

PhD Electrical Engineering and Applied Physics
- Stanford University

Dr Kenneth Yu brings with him 30 years of technology, product design and management experience. He spent the last 16 years with Lattice Semiconductor Corp during which he started and managed a subsidiary company in Shanghai, China.

An expert in all facets of semiconductor equipment and technologies, Dr Yu has done memory and ASIC designs and is familiar with applications ranging from PLDs, processors, telephony ICs to CCD imagers. He co-authored 25 technical articles and holds 6 patents.



BOARD OF DIRECTORS



Mr Derek Loh Eu-Tse, 43
Lead Independent & Non-Executive Director
Chairman of Remuneration Committee

MA with Honours
- Cambridge University

An Advocate & Solicitor for the past 17 years, Mr Loh currently practices law at TSMP Law Corporation, where he is an Executive Director. He presently holds directorships in several listed companies, including Freight Links Express Holdings Ltd. Mr Loh chairs the Remuneration Committee in the latter.



Mr Haji Zubir Bin Haji Harun, 58
Independent & Non-Executive Director
Chairman of Audit Committee

Diploma in Management
- MIM

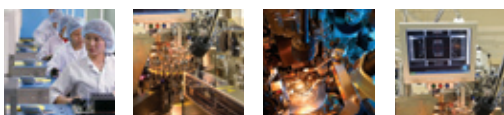
Mr Haji Zubir was Vice President of Maybank Berhad, a position he had held for over a decade. He began his career with Maybank in 1972 and had held various management positions over a span of 31 years there, including Vice President of the Maybank Group and Chief Representative of Maybank in the Republic 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 and DHP Resources Sdn Bhd.



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 joining the Group. Mr Shen is the President and co-founder of the FE for Advanced Micro Devices prior to Global (North Asia) Group of companies, and was instrumental in the establishment of FE Global (China) Ltd.



BOARD OF DIRECTORS



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)

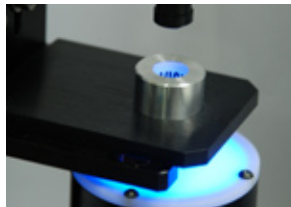
With over 19 years of experience in legal, mergers and acquisition, corporate finance, venture capital and financial services arenas, Mr Teh runs Netrove Ventures Corp, a regional boutique venture capital and business advisory firm headquartered in Hong Kong and with offices in Kuala Lumpur, Hanoi and Guangzhou. 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 Corp in 1999. Mr Teh is currently Chairman of Netrove Ventures Corp and sits on the boards of various privately owned enterprises across Asia.



Mr Timothy Lim Boon Liat, 44
Executive Director

Diploma in Sales and Marketing
- CIMUK

Mr Lim brings with him over 22 years of experience in the regional semiconductor industry. He held various positions during his career including sales and management. He is also the Business Development Director for the Company.



KEY MANAGEMENT

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 over 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 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, 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 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

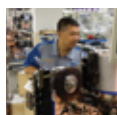
Mr Lenus Kho joined the Group in 1997 and has over 20 years of experience in the regional semiconductor industry. He has a Diploma in Electronics Engineering from Ngee Ann Polytechnic and a Diploma in Sales and Marketing from the Marketing Institute of Singapore.

Mr Mandie Chong Man Sui

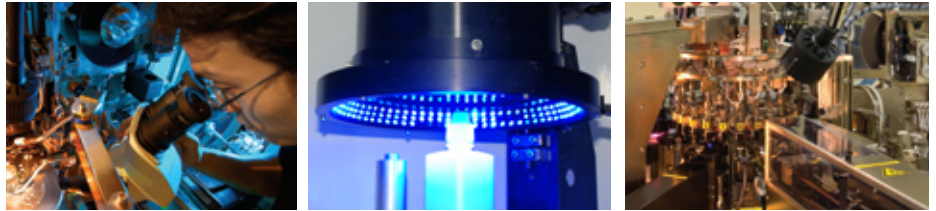
Marketing Director of

Dragon Technology Distribution (HK) Ltd.

Mr Chong is a veteran with over 25 years experience 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.



KEY MANAGEMENT



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, DGI

Mr Ahn has been with the organisation for more than 8 years as the head of the Dragon Group. He has been in the electronic industry for over 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 like 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 Yeo See Chye

Chief Financial Officer, FE Global (North Asia) &
Acting Chief Financial Officer, DGI

Mr Yeo joined the Dragon Group in 2000. He is the Chief Financial Officer for Dragon Technology Distribution (HK) Limited and was appointed the Acting Chief Financial Officer of DGI on 1st September 2009. Mr Yeo previously worked with BDO Binder Public Accountants, 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.

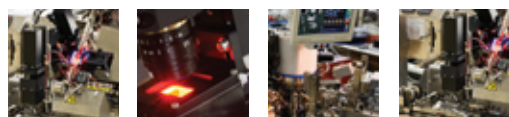
Mr Zhao joined DTB since it was established four years ago as a shareholder representative for the Nanjing Gulou District Government. Mr Zhao has more than 18 years of experience in various government posts and 20 years in business management. He has held various senior positions in different fields in his career as deputy factory director, factory GM, head of librarian, culture bureau director, general manager and chairman, etc. He has a BA 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	2005	2006	2007	2008	2009
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
STATEMENT OF THE GROUP RESULTS					
Revenue	384,096	352,309	320,466	300,840	231,126
EBITA	9,127	7,140	5,837	102	(1,080)
Profit before income tax	4,441	(7,650)	2,547	(5,894)	(6,913)
Income Tax	(255)	(653)	(761)	(1,068)	(1,047)
Profit for the year	4,186	(8,303)	1,786	(6,962)	(7,960)
Attributable to:					
Equity holders of the Company	3,698	(8,542)	2,180	(6,810)	(7,010)
Minority interests	488	239	(394)	(152)	(950)
	4,186	(8,303)	1,786	(6,962)	(7,960)
Earning/(loss) per share (cents)	2.8	(5.9)	1.4	(3.0)	(3.1)
FINANCIAL POSITION OF THE GROUP					
Intangible assets	9,525	1,290	8,172	7,731	6,604
Property, plant and equipment	9,296	8,836	10,361	9,188	4,691
Investments	10,479	1,144	1,595	2,048	987
Other assets	-	-	-	1,664	0
Current assets	95,634	110,470	118,831	107,556	98,817
Total Assets	124,934	121,740	138,959	128,187	111,099
Equity attributable to equity holders of the Company	37,029	33,215	31,291	23,545	16,952
Minority Interests	3,020	1,646	5,477	5,103	4,156
	40,049	34,861	36,768	28,648	21,108
Other long term & deferred liabilities	11,662	4,561	4,875	1,348	1,688
Current liabilities	73,223	82,318	97,316	98,191	88,303
Total Equity and Liabilities	124,934	121,740	138,959	128,187	111,099
NAV per share (cents)	16.52	14.82	13.96	10.51	7.57
Weighted average number of share in the year	224,081,456	224,081,456	224,081,456	224,081,456	224,081,456
TURNOVER AND PROFITABILITY					
Analysis by Activities					
Turnover					
Electronics Distribution & Manufacturing	377,914	344,702	313,155	294,808	228,303
Semiconductor Test & Consumables	6,182	7,269	7,184	6,032	2,823
Technology Investments & Others	-	338	127	-	-
	384,096	352,309	320,466	300,840	231,126
Group profit/(loss) before tax	7,061	(6,681)	2,780	3,372	2,205
Electronics Distribution & Manufacturing	(439)	504	(347)	(453)	(3,813)
Semiconductor Test & Consumables	(2,646)	(2,672)	114	(8,813)	(5,305)
Technology Investments & Others	465	1,199	-	-	-
Semiconductor Equipment & Services	4,441	(7,650)	2,547	(5,894)	(6,913)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

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

Dr Yu Kenneth Keung Yum
*Executive Director &
Chief Operating Officer*

Steven Shen Hing
Executive Director

Timothy Lim Boon Liat
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

Derek Loh Eu-Tse

Teh Kim Seng

NOMINATING COMMITTEE

Teh Kim Seng
Chairman

Derek Loh Eu-Tse

Haji Zubir Bin Haji Harun

REMUNERATION COMMITTEE

Derek Loh Eu-Tse
Chairman

Haji Zubir Bin Haji Harun

Teh Kim Seng

COMPANY SECRETARY

Chee Choi Chun

EXECUTIVE OFFICERS

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

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

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

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*

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

Steve Ahn Sang Ho
Head of Distribution of DGI

Yeo See Chye
*Chief Financial Officer of
FE Global (North Asia) &
Acting Chief Financial Officer of DGI*

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

REGISTERED OFFICE

50 Raffles Place, #32-01,
Singapore Land Tower,
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

BUSINESS OFFICE

Blk 25, Kallang Avenue, #03-06,
Kallang Basin Industrial Estate,
Singapore 339416
Tel: (65) 6212 9629
Fax: (65) 6212 9630

SHARE REGISTRAR

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

INDEPENDENT AUDITOR

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

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

PRINCIPAL BANKERS

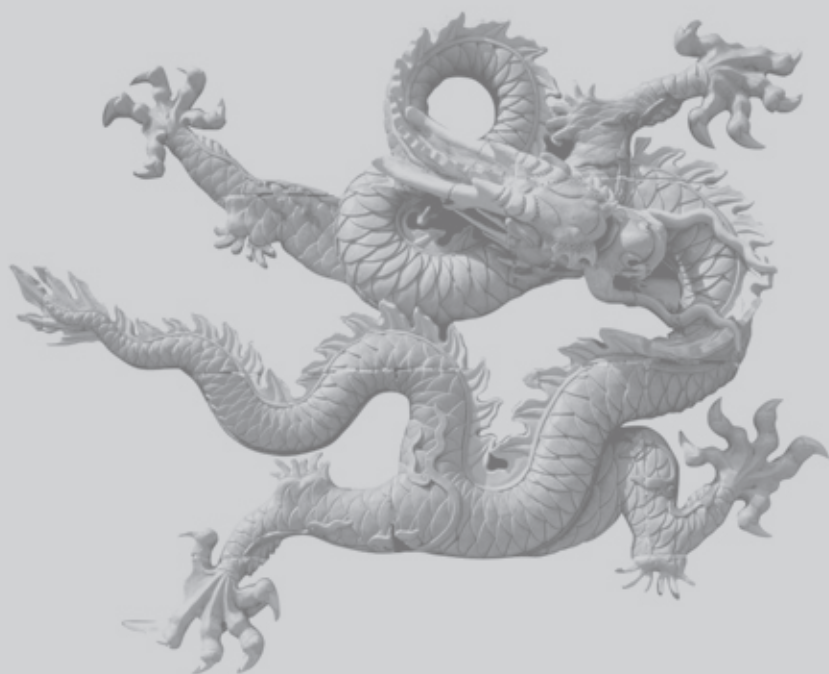
Hang Seng Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking
Corporation Limited
United Overseas Bank Limited



APPENDIX 1

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2009

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE REPORT

Year ended 31st December 2009

The Board and the Management of Dragon Group International Limited (the “**Dragon Group**” or “the **Company**”) are committed to high standards of corporate governance which are essential to the stability and sustainability of the Group’s performance, and hence maximisation of long-term shareholder value.

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. The Board works with the management to achieve this and the management remains 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:

- provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- review the management’s performance and set the Company’s values and standards to ensure that obligations to shareholders and others are understood and met;
- oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls;
- approve the nominations of Board Directors as recommended by NC and appointments to the various Board committees;
- 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
- provide oversight in the proper conduct of the Company’s business and assume responsibility for corporate governance.

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 after obtaining the authority from shareholders;
- declaration of interim or propose final dividends for approval by shareholders 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;
- merger and acquisition transactions; and
- 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.

Whenever a new Director is appointed on the Board, the Company ensures that the new Director receives a thorough 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

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from the management. The Board presently comprises seven Directors, four 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.

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 5 to 7 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 appointment of new Directors to the Board is recommended by the Nominating Committee (the "NC"). 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.
Timothy Lim Boon Liat	Executive	N.A.	Member	N.A.	N.A.
Steven Shen Hing	Executive	N.A.	Member	N.A.	N.A.
Dr Yu Kenneth Keung Yum	Executive	N.A.	N.A.	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 and 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 FY2009 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	4	4	N.A.	N.A.	N.A.	N.A.
Alex Onn Sin Ching	4	2 [*]	N.A.	N.A.	4	2 [*]
Steven Shen Hing	4	2	N.A.	N.A.	4	2
Timothy Lim Boon Liat	4	1 ^{**}	N.A.	N.A.	4	1 ^{**}
Derek Loh Eu-Tse	4	4	4	4	N.A.	N.A.
Haji Zubir Bin Haji Harun	4	4	4	4	N.A.	N.A.
Teh Kim Seng	4	4	4	4	4	4

* Mr Alex Onn Sin Ching resigned as Director of the Company on 12 August 2009.

** Mr Timothy Lim Boon Liat was appointed on 12 August 2009.

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. In addition, any director appointed to fill a casual vacancy or as an additional Director shall hold office until the next AGM. He shall then be eligible for re-election at the AGM.

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 & CEO	23 October 2003	24 April 2008
Timothy Lim Boon Liat	Executive Director	12 August 2009	Not Applicable
Steven Shen Hing	Executive Director	6 August 2004	24 April 2007
Dr Yu Kenneth Keung Yum	Executive Director	1 March 2010	Not Applicable
Derek Loh Eu-Tse	Lead Independent Director	15 January 2004	30 April 2009
Haji Zubir Bin Haji Harun	Independent Director	15 January 2004	24 April 2008
Teh Kim Seng	Independent Director	15 January 2004	30 April 2009

Having considered the effectiveness and contributions of each Director, the NC nominates and recommends the following Directors to be re-elected at the forthcoming AGM of the Company:

Haji Zubir Bin Haji Harun	Independent Director
Timothy Lim Boon Liat	Executive Director
Dr Yu Kenneth Keung Yum	Executive Director, COO

CORPORATE GOVERNANCE REPORT

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually. In its annual review for FY2009, 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 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 will be reviewed as and when required.

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. In order to fulfil their responsibilities, Board members were provided with complete, adequate and timely information prior to board meetings and on an on-going basis. 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 Company Secretary. Duties of the Company Secretary include ensuring that Board procedures are followed and complied with applicable rules and regulations including the Companies Act, Cap. 50 and the Singapore Exchange Listing Manual. The Company Secretary 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 Company Secretary attends all 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 attract 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

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully. A significant proportion of executive directors' remuneration should be structured so as to link 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 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 2009

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	4%	79%	7%	7%	3%	100%
Lim Boon Liat Timothy	4%	74%	6%	11%	5%	100%
Steven Shen Hing	16%	0%	0%	84%	0%	100%
Derek Loh Eu-Tse	100%	0%	0%	0%	0%	100%
Haji Zubir Bin Haji Harun	100%	0%	0%	0%	0%	100%
Teh Kim Seng	100%	0%	0%	0%	0%	100%

Remuneration of Directors for the year ended 31 December 2009

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 2009.

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 presents to shareholders a balanced and clear assessment of the Company's performance, position and prospects. The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the interests of the Company.

Financial reports and other price sensitive information, all news releases and analyst presentations are disseminated to shareholders through SGXnet and posted on the Company's website at www.dragongp.com.

The Annual Report is disseminated to all shareholders and is available on the Company's website.

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 5 to 7 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.

CORPORATE GOVERNANCE REPORT

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;
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 4 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 FY2009 without the presence of the 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.

CORPORATE GOVERNANCE 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.

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 5 to 9 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 99% of the Group's FY2009 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 55 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.

CORPORATE GOVERNANCE REPORT

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.

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 FY 2009 under review (excluding transactions less than S\$100,000) US\$'000
Flexcomm Limited ⁽¹⁾	385
ASTI ⁽²⁾	132

(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 selected group, the Company ensures that the same disclosure is made publicly to all others as soon as practicable.

CORPORATE GOVERNANCE REPORT

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. 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 later than 48 hours before the general meeting as a Depositor on whose behalf the Depository holds shares in the Company.

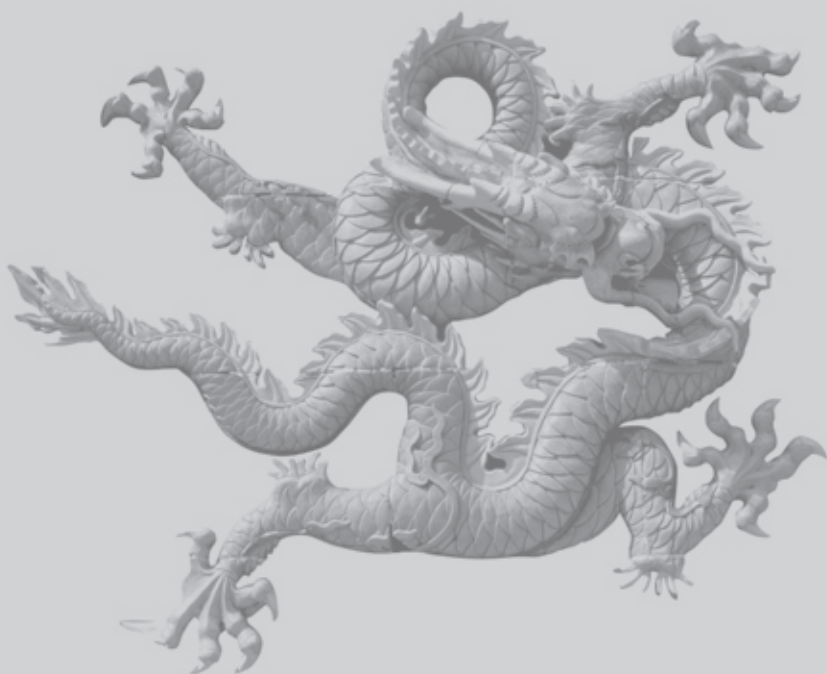
The Company's external auditors, chairpersons of the Audit Committee and the Remuneration Committee are present at all General Meetings to assist the Board of Directors and Management to address any questions shareholders may have.

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

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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 its subsidiary companies (collectively the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2009.

Directors of the Company

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

Dato' Michael Loh Soon Gnee
 Dr Yu, Kenneth Keung Yum (Appointed on 1 March 2010)
 Haji Zubir Bin Haji Harun
 Loh Eu-Tse Derek
 Steven Shen Hing
 Teh Kim Seng
 Timothy Lim Boon Liat (Appointed on 12 August 2009)

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 share options of the Company and its related corporations as stated below:

Name of Director	At the beginning of the year or at date of appointment	At the end of the year	At 21 January 2010
<i>The holding company – ASTI Holdings Limited ("ASTI")</i>			
Ordinary shares			
Dato' Michael Loh Soon Gnee			
- held in name of Director	51,508,000	51,508,000	51,508,000
- held by nominee	57,000,000	57,000,000	57,000,000
Steven Shen Hing			
- held in name of Director	7,859,940 #	7,859,940 #	7,859,940 #
Teh Kim Seng			
- held by nominee	100,000	100,000	100,000
Timothy Lim Boon Liat			
- held in name of Spouse	99,000	99,000	99,000
Options granted to subscribe for ordinary shares			
Timothy Lim Boon Liat			
- held in name of Director	300,000	–	–

DIRECTORS' REPORT

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

Name of Director	At the beginning of the year or as at date of appointment	At the end of the year	At 21 January 2010
The Company		Ordinary shares	
Dato' Michael Loh Soon Gnee			
- deemed interest	168,063,442	168,063,442	168,063,442

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 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 2009, 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 2009.
- (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

Timothy Lim Boon Liat
Director

Singapore
30 March 2010

STATEMENT BY THE DIRECTORS

We, Dato' Michael Loh Soon Gnee and Timothy Lim Boon Liat, being two of the Directors of Dragon Group International Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, 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 2009 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.

On behalf of the Board of Directors,

Dato' Michael Loh Soon Gnee
Director

Timothy Lim Boon Liat
Director

Singapore
30 March 2010

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2009

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 7 to 61, which comprise the statements of financial position of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated 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 sheet 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 risks 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 statement of financial position 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 2009 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.

ERNST & YOUNG LLP

Public Accountants and
Certified Public Accountants
Singapore

30 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	Group	
		2009 US\$'000	2008 US\$'000
Revenue	5	231,126	300,840
Cost of sales		(206,023)	(272,164)
Gross profit		25,103	28,676
Other income	6	953	478
Selling and marketing costs		(11,754)	(16,133)
General and administrative costs		(11,378)	(14,026)
Development costs		30	(152)
Finance costs	7	(2,842)	(4,170)
Exceptional items	8	(6,974)	(558)
Share of results of associated companies		(51)	(9)
Loss before taxation	9	(6,913)	(5,894)
Taxation	10	(1,047)	(1,068)
Loss for the year		(7,960)	(6,962)
Attributable to:			
Equity holders of the Company		(7,010)	(6,810)
Minority interests		(950)	(152)
		(7,960)	(6,962)
Basic loss per share (cents)	11	(3.13)	(3.04)
Diluted loss per share (cents)	11	(3.13)	(3.04)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Group	
	2009 US\$'000	2008 US\$'000
Loss for the year	(7,960)	(6,962)
Other comprehensive income:		
Foreign currency translation	420	(2,605)
Total comprehensive income for the year	(7,540)	(9,567)
Total comprehensive income attributable to:		
Equity holders of the Company	(6,593)	(9,395)
Minority interests	(947)	(172)
	(7,540)	(9,567)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009

		Group		Company	
	Note	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
ASSETS					
Non-current assets					
Intangible assets	12	6,604	7,731	102	102
Property, plant and equipment	13	4,691	9,188	2	4
Investments in subsidiary companies	14	–	–	33,122	34,337
Investments in associated companies	15	9	110	–	–
Available-for-sale financial assets	16	978	1,938	934	1,894
Other financial assets	17	–	1,664	–	1,664
Amounts due from subsidiary companies	18	–	–	5,970	11,699
		12,282	20,631	40,130	49,700
Current assets					
Stocks	19	17,412	23,583	–	–
Prepayments		512	722	62	54
Amounts due from subsidiary companies	18	–	–	1,638	1,666
Trade debtors	20	50,252	56,894	–	99
Other debtors	21	2,461	1,531	85	391
Tax recoverable		11	601	–	233
Cash and bank balances	22	18,771	24,225	154	192
		89,419	107,556	1,939	2,635
Assets of disposal group classified as held for sale	23	9,398	–	–	–
		98,817	107,556	1,939	2,635
TOTAL ASSETS		111,099	128,187	42,069	52,335
EQUITY AND LIABILITIES					
Current liabilities					
Amounts due to bankers	24	23,632	31,372	1,613	3,764
Bills payable to banks	25	15,361	25,679	–	–
Trade creditors and accruals	26	34,742	33,325	229	361
Other creditors	27	4,364	4,279	209	173
Amount due to holding company	28	5,582	1,958	732	544
Amounts due to subsidiary companies	29	–	–	10,344	6,766
Convertible loans	30	554	–	554	–
Provision for taxation		842	1,578	18	51
		85,077	98,191	13,699	11,659
Liabilities directly associated with disposal group classified as held for sale	23	3,226	–	–	–
		88,303	98,191	13,699	11,659
NET CURRENT ASSETS/(LIABILITIES)		10,514	9,365	(11,760)	(9,024)
Non-current liabilities					
Amounts due to bankers	24	590	–	–	–
Amounts due to subsidiary companies	29	–	–	8,867	11,473
Deferred taxation	31	654	851	–	–
Lease creditors	32	68	105	–	–
Long-term payables		376	392	–	–
		1,688	1,348	8,867	11,473
TOTAL LIABILITIES		89,991	99,539	22,566	23,132
NET ASSETS		21,108	28,648	19,503	29,203

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009

	Note	Group		Company	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Equity attributable to equity holders of the Company					
Share capital	33	41,844	41,844	41,844	41,844
Capital reserve	34	2,140	2,140	–	–
Foreign currency translation reserve	35	(6,246)	(7,102)	–	–
Accumulated losses		(20,347)	(13,337)	(22,341)	(12,641)
Reserve of disposal group classified as held for sale	23	(439)	–	–	–
		16,952	23,545	19,503	29,203
Minority interests		4,156	5,103	–	–
TOTAL EQUITY		21,108	28,648	19,503	29,203
TOTAL EQUITY AND LIABILITIES		111,099	128,187	42,069	52,335

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 2009

	Attributable to equity holders of the Company						Minority interests	Total equity
	Share capital	Capital reserve	Foreign currency translation reserve	Accumulated losses	Reserve of disposal group classified as held for sale (Note 23)	Equity attributable to equity holders of the Company, total		
	(Note 33)	(Note 34)	(Note 35)					
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
2009 Group								
At 1 January 2009	41,844	2,140	(7,102)	(13,337)	–	23,545	5,103	28,648
Total comprehensive income for the financial year	–	–	417	(7,010)	–	(6,593)	(947)	(7,540)
Reserve of disposal group classified as held for sale	–	–	439	–	(439)	–	–	–
At 31 December 2009	41,844	2,140	(6,246)	(20,347)	(439)	16,952	4,156	21,108
2008 Group								
At 1 January 2008	41,844	2,140	(4,517)	(6,527)	–	32,940	5,766	38,706
Total comprehensive income for the financial year	–	–	(2,585)	(6,810)	–	(9,395)	(172)	(9,567)
Dividend paid to minority shareholder of a subsidiary company	–	–	–	–	–	–	(22)	(22)
Acquisition of additional interest in subsidiary companies	–	–	–	–	–	–	(469)	(469)
At 31 December 2008	41,844	2,140	(7,102)	(13,337)	–	23,545	5,103	28,648

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2009

Attributable to equity holders of the Company		
Share capital (Note 33) US\$'000	Accumulated losses US\$'000	Total equity US\$'000
2009		
Company		
At 1 January 2009		
41,844	(12,641)	29,203
Total comprehensive income for the financial year		
–	(9,700)	(9,700)
At 31 December 2009		
41,844	(22,341)	19,503
2008		
Company		
At 1 January 2008		
41,844	(9,519)	32,325
Total comprehensive income for the financial year		
–	(3,122)	(3,122)
At 31 December 2008		
41,844	(12,641)	29,203

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 2009

	2009 US\$'000	2008 US\$'000
Cash flow from operating activities		
Operating loss before taxation	(6,913)	(5,894)
Adjustments for:		
Amortisation of intangible assets	579	559
Depreciation of property, plant and equipment	2,171	2,355
Gain on disposal of property, plant and equipment	(10)	(694)
Property, plant and equipment written off	57	83
Impairment of goodwill	652	558
Interest income	(135)	(116)
Interest expense	2,133	3,341
Loss on disposal of an associated company	26	–
Share of results of associated companies	51	9
Impairment losses on other financial assets	1,755	–
Impairment losses on available-for-sale financial assets	960	–
Impairment losses on property, plant and equipment	2,343	–
Provision for loss on disposal group classified as held for sale	439	–
Loss on disposal of business	74	–
Operating cash flow before reinvestment in working capital	4,182	201
Decrease in stocks	4,050	10,426
Decrease/(increase) in debtors	506	(3,835)
Increase/(decrease) in creditors	2,494	(7,529)
Effects of exchange rates changes	379	(1,912)
Cash generated from/(used in) operations	11,611	(2,649)
Interest paid	(2,133)	(3,341)
Interest received	135	116
Tax paid	(1,433)	(321)
Net cash generated from/(used in) operating activities	8,180	(6,195)
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	350	2,129
Purchase of property, plant and equipment	(841)	(2,512)
Loan to external party	(91)	(997)
Increase in other investments	–	(380)
Proceeds from disposal of an associated company	20	–
Project development expenditure	(104)	(262)
Deposits received from the disposal of group classified as held for sale	789	–
Proceeds from disposal of business, net of cash and cash equivalents disposed (Note 4c)	61	–
Acquisition of minority interests	–	(821)
Net cash generated from/(used in) investing activities	184	(2,843)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	2009 US\$'000	2008 US\$'000
Cash flow from financing activities		
Increase in amount due to holding company	3,624	1,760
Repayment of lease creditors	(52)	(95)
(Decrease)/increase in amounts due to bankers	(16,072)	2,089
Proceeds from issue of convertible loans	554	–
Increase in fixed deposits pledged	(1,401)	–
Dividend paid to minority shareholder of a subsidiary company	–	(22)
Net cash (used in)/generated from financing activities	(13,347)	3,732
Net decrease in cash and cash equivalents	(4,983)	(5,306)
Cash and cash equivalents at beginning of year	24,225	29,765
Effects of exchange rate changes on cash and cash equivalents	92	103
Effects of exchange due to FRS 21	–	(337)
Cash and cash equivalents at end of year (Note 22)	19,334	24,225

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623.

The principal place of business is located at Block 25, Kallang Avenue, #03-06, Kallang Basin Industrial Estate, Singapore 339416.

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 and 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 and 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position 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 the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (“USD” or “US\$”), which is the functional currency of the Group. All values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.2 Changes in accounting policies

(a) Adoption of new or revised FRS

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following FRS mandatory and relevant to its operations for annual financial periods beginning on or after 1 January 2009.

- FRS 1 *Presentation of Financial Statements (Revised)*
- Amendments to FRS 23 *Borrowing Costs*
- Amendments to FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 107 *Financial Instruments: Disclosures*
- FRS 108 *Operating Segments*
- Improvements to FRS issued in 2008

Adoption of these FRS did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

(i) **FRS 1 Presentation of Financial Statements – Revised presentation**

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

(ii) **Amendments to FRS 107 Financial Instruments: Disclosures**

The amendments to FRS 107 clarify the requirements for liquidity risk disclosures. The liquidity risk disclosures are presented in Note 39 to the financial statements.

(iii) **FRS 108 Operating Segments**

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 *Segment Reporting*. Additional disclosures about each of the segments are shown in Note 3, including revised comparative information.

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

The amendments to FRS 27 require all dividends from subsidiary companies, jointly controlled entities or associated companies to be recognised in the income statement of the Company's separate financial statement. Distinction between pre- and post-acquisition profits is no longer required. The Company applied the amendments to FRS 27 prospectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new or revised FRS (cont'd)

(v) Improvements to FRS issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 16 *Property, Plant and Equipment*: Replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- FRS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.2 Changes in accounting policies (cont'd)

(b) FRS and Interpretation of FRS ("INT FRS") not yet effective

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

<i>Description</i>	<i>Effective for annual period beginning on or after</i>
Amendments to INT FRS 109 <i>Reassessment of Embedded Derivatives</i> Amendments to FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	30 June 2009
Amendments to FRS 27 <i>Consolidated and Separate Financial Statements</i>	1 July 2009
Amendments to FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	1 July 2009
Revised FRS 101 <i>First-Time Adoption of Financial Reporting Standards</i>	1 July 2009
Revised FRS 103 <i>Business Combinations</i>	1 July 2009
Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2009
INT FRS 117 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
INT FRS 118 <i>Transfer of Assets from Customers</i>	1 July 2009
Amendments to FRS 101 <i>First-Time Adoption of Financial Reporting Standards</i>	1 January 2010
Amendments to FRS 102 <i>Share-based Payment</i>	1 January 2010
Amendments to FRS 32 <i>Financial Instruments: Disclosure and Presentation</i>	1 February 2010
INT FRS 119 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
Revised FRS 24 <i>Related Party Disclosures</i>	1 January 2011
Amendments to INT FRS 114 <i>FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction</i>	1 January 2011
<u>Improvements to FRS issued in 2009:</u>	
- FRS 38 <i>Intangible Assets</i>	1 July 2009
- FRS 102 <i>Share-based Payment</i>	1 July 2009
- INT FRS 109 <i>Reassessment of Embedded Derivatives</i>	1 July 2009
- INT FRS 116 <i>Hedges of a Net investment in a Foreign Operation</i>	1 July 2009
- FRS 1 <i>Presentation of Financial Statements</i>	1 January 2010
- FRS 7 <i>Statement of Cash Flows</i>	1 January 2010
- FRS 17 <i>Leases</i>	1 January 2010
- FRS 36 <i>Impairment of Assets</i>	1 January 2010
- FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
- FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2010
- FRS 108 <i>Operating Segments</i>	1 January 2010

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.2 Changes in accounting policies (cont'd)

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

Except for the revised FRS 103 and the amendments to FRS 27, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary company (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary company as well as the loss of control of a subsidiary company. Other consequential amendments were made to FRS 7 *Statement of Cash Flows*, FRS 12 *Income Taxes*, FRS 21 *The Effects of Changes in Foreign Exchange Rates*, FRS 28 *Investments in Associates* and FRS 31 *Interests in Joint Ventures*. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.3 Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, 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) *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, 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 judgment 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 2009 was US\$842,000 (2008: US\$1,578, 000) and US\$654,000 (2008: US\$851,000) 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 2009

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

2.3 Significant accounting judgments and estimates (cont'd)

(a) Judgments made in applying accounting policies (cont'd)

(iii) Development costs

Development costs are capitalised in accordance with the accounting policy in Note 2.9(b)(i). Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of development costs capitalised at the date of statement of financial position was US\$331,000 (2008: US\$262,000).

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, 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 2009 is US\$2,674,000 (2008: US\$3,215,000). 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) Impairment of loans and receivables

The Group assesses at each date of statement of financial position whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. The carrying amount of the Group's and the Company's loans and receivables at the date of statement of financial position is disclosed in Note 40 to the financial statements.

(iv) Impairment of available-for-sale financial assets

The Group classifies certain investments 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 2009

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

2.4 Foreign currency

(a) 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 date of statement of financial position. 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 date of statement of financial position are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the consolidated income statement on disposal of the foreign operation. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

(b) Foreign currency translation

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the date of statement of financial position and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the date of statement of financial position. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements 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 company's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.9(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 subsidiary company's income statement on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flow that would otherwise be required under the contract.

2.6 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 income statement and within equity in the consolidated statement of financial position, 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 income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.7 *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.

2.8 *Associated companies*

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group has significant influence. An 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 companies is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated companies. Goodwill relating to associated companies is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associated companies' 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 the results of the associated companies 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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associated companies. The Group determines at each date of statement of financial position whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount in the income statement.

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.

2.9 *Intangible assets*

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, 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 allocated 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 income statement. 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, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in USD at the rates prevailing at the date of acquisition.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.9 Intangible assets

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(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 2 to 5 years) to the income statement, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Project development expenditure for which amortisation has commenced has an average remaining amortisation period of 1 year (2008: 2 years).

(ii) 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.

(iii) 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. Customer relationships have an average remaining amortisation period of 5.62 years (2008: 6.62 years).

(iv) Club memberships

Club memberships with finite useful lives of 30 years are amortised on a straight line basis, and have an average remaining amortisation period of 24 years (2008: 25 years).

Club memberships with indefinite useful lives are tested for impairment annually, and are not amortised. The useful life of club memberships with indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

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

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

Leasehold land and buildings	-	20 years
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, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is included in the income statement in the year the asset is derecognised.

2.11 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 statement of financial position 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.

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 in other comprehensive income is recognised in the income statement.

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 income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.11 Financial assets (cont'd)

(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 in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment when the financial asset is derecognised.

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

2.12 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. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Impairment of assets

(a) Impairment of financial assets

The Group assesses at each date of statement of financial position whether there is any objective evidence that a financial asset 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 income statement.

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 income statement, 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 2009

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

2.14 Impairment of assets (cont'd)

(a) Impairment of financial 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 income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(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 estimated to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. 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 income statement.

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 income statement. 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.

2.15 Financial liabilities

Financial liabilities are recognised on the statement of financial position 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 income statement when the liabilities are derecognised as well as through the amortisation process. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.16 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 date of statement of financial position 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.

2.17 Leases

(a) Finance leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset 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 to the income statement.

Capitalised leased assets are depreciated on the basis outlined in Note 2.10.

(b) Operating leases

Leases where the lessor 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 income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

2.18 Revenue

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).

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.19 Income taxes

(a) Current taxation

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 date of statement of financial position.

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

(b) Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the date of statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or 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; and
- in respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference 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; and
- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each date of statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each date of statement of financial position and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of statement of financial position.

Deferred income tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.19 Income taxes (cont'd)

(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 statement of financial position.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the 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 the employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the date of statement of financial position.

(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 income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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 capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 3, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement 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 income statement.

2.24 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 statement of financial position of the Group.

2.25 Disposal group classified as held for sale

A component of the Group is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in the income statement.

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3. Segment information

For management purpose, 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 and Consumables and Technology Investments and 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.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group income taxes are managed on a group basis and are not allocated to the operating segments.

Financial information about business segments is presented as follows:

	Electronics Distribution		Semiconductor Test and Consumables		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue										
Sale to external customers	228,303	294,808	2,823	6,032	–	–	–	–	231,126	300,840
Segment Results	7,766	7,200	(470)	682	(3,604)	(2,881)	1,062	(52)	4,754	4,949
Interest expense	(2,072)	(2,919)	(16)	(54)	(198)	(368)	153	–	(2,133)	(3,341)
Depreciation	(1,184)	(1,205)	(984)	(1,144)	(3)	(6)	–	–	(2,171)	(2,355)
Amortisation	(579)	(559)	–	–	–	–	–	–	(579)	(559)
Goodwill written off	(652)	(558)	–	–	–	–	–	–	(652)	(558)
Allowance for doubtful trade debts	(584)	(4,101)	–	36	(3,211)	(8)	3,211	52	(584)	(4,021)
Impairment losses on other financial assets	–	–	–	–	(1,755)	–	–	–	(1,755)	–
Impairment losses on available-for-sale financial assets	–	–	–	–	(960)	–	–	–	(960)	–
Impairment losses on property, plant and equipment	–	–	(2,343)	–	–	–	–	–	(2,343)	–
Provision for loss on disposal group classified as held for sale	(439)	–	–	–	–	–	–	–	(439)	–
Share of results of associated companies	(51)	(9)	–	–	–	–	–	–	(51)	(9)
Loss before taxation	2,205	(2,151)	(3,813)	(480)	(9,731)	(3,263)	4,426	–	(6,913)	(5,894)
Taxation									(1,047)	(1,068)
Loss for the year									(7,960)	(6,962)

NOTES TO FINANCIAL STATEMENTS

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3. Segment information (cont'd)

	Electronics Distribution		Semiconductor Test and Consumables		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Assets and liabilities:										
Additions to non-current assets	943	3,054	1	70	1	2	–	–	945	3,126
Segment assets	174,676	192,882	2,217	6,430	42,069	52,103	(107,883)	(123,939)	111,079	127,476
Investments in associated companies	9	110	–	–	–	–	–	–	9	110
Unallocated assets									11	601
Total assets									111,099	128,187
Segment liabilities	120,520	132,565	1,033	1,412	22,548	23,082	(55,606)	(59,949)	88,495	97,110
Unallocated liabilities									1,496	2,429
Total liabilities									89,991	99,539

Additions to non-current assets comprise additions to intangible assets and plant and equipment.

Segment assets consist primarily of non-current and current assets and exclude investments in associated companies and income tax assets. Segment liabilities comprise mainly operating liabilities and exclude taxation liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

3. Segment information (cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Singapore	27,802	40,124	840	5,128
Malaysia	18,722	31,621	52	47
Philippines	2,954	3,901	–	–
Thailand	3,723	14,146	–	–
India	9,534	12,954	–	–
China	140,528	126,575	3,794	3,331
Hong Kong	3,348	18,405	6,588	8,337
Taiwan	6,320	8,780	–	60
Korea	14,640	28,634	21	16
Others	3,555	15,700	–	–
	231,126	300,840	11,295	16,919

Non-current assets information presented above consist of intangible assets and property, plant and equipment as presented in the consolidated statement of financial position.

Information about a major customer

Revenue from one major customer amounted to US\$66,623,000 (2008: US\$43,871,000), arising from sale by the electronics distribution segment.

NOTES TO FINANCIAL STATEMENTS

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4. Group companies

(a) The significant subsidiary companies as at 31 December 2009 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2009 %	2008 %
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
* 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 2009

4. Group companies (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2009 %	2008 %
<i>Held by subsidiary companies: (cont'd)</i>			
<i>Held by FE Global Electronics Pte Ltd (cont'd)</i>			
*** FE Global Taiwan Co., Ltd (Taiwan)	Sale and distribution of electronic components used in laptops and handphones (Taiwan)	100	100
* 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
<i>Held by FE-Decibels Electronics Pte Ltd</i>			
*** FE Global Electronics (India) Private Limited (India)	Sale, distribution and acting as commission agent in electronic components (India)	70	70
<i>Held by FE Global (North Asia) Limited</i>			
# Advance Electronic Supply Co., Ltd (British Virgin Islands)	Sale and distribution of electronic components used in laptops and handphones (British Virgin Islands)	100	100
** 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
<i>Held by Dragon Technology Distribution (HK) Limited</i>			
*** Dragon Trading (Shanghai) Co., Ltd (People's Republic of China)	Import trading business and agency services (People's Republic of China)	100	100
(b) The associated companies as at 31 December 2009 are as follows:			
<i>Held by FE Global Electronics Pte Ltd</i>			
*** FE Global (Thailand) Co., Ltd (Thailand)	Sale, distribution and acting as commission agent in electronic components (Thailand)	49	49

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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.

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

(c) Disposal of business

On 30 September 2009, the Company's subsidiary company, Spire Technologies Pte Ltd, disposed of its probe card manufacturing business and equity interest in a subsidiary company, Spire Technologies, Inc. The total sale consideration amounted to US\$783,000 which is to be settled in cash.

The values of assets and liabilities of the probe card manufacturing business and Spire Technologies, Inc at the date of divestment, and the cash flow effect of the disposal were:

	Group 2009 US\$'000
Property, plant and equipment	418
Stocks	222
Trade and other debtors	46
Cash and cash equivalents	29
Trade and other creditors	(1)
Carrying value of net assets disposed	714
Retrenchment costs incurred	188
	902
Less: Sale consideration	(783)
	119
Foreign currency translation reserve realised on disposal	(45)
Loss on disposal of business	74
	783
Total sale consideration	783
Less: Consideration not yet received	(540)
Less: Retrenchment costs paid	(153)
Less: Cash and cash equivalents of the probe card manufacturing business and Spire Technologies, Inc	(29)
Net cash inflow	61

The remaining consideration of US\$540,000 has been included in "Other debtors" (Note 21).

NOTES TO FINANCIAL STATEMENTS

31 December 2009

5. Revenue

	Group	
	2009 US\$'000	2008 US\$'000
Revenue is analysed as follows:		
Sale of goods	225,964	295,343
Provision of services	1,377	2,479
Commission income	3,785	3,018
	231,126	300,840

6. Other income

	Group	
	2009 US\$'000	2008 US\$'000
The following items have been included in arriving at other income:		
Interest income		
- Fixed deposits and current accounts	135	116
Service and handling fee	-	170
Grant income from jobs credit scheme	247	-
Trade payables written off	165	-
	557	286

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first US\$1,778 (S\$2,500) of each month's wages for each eligible employee on their Central Provident Fund payroll. The Scheme is for one year, and the Group received its grant income of US\$247,000 (2008: Nil) in four receipts in March, June, September and December 2009.

7. Finance costs

	Group	
	2009 US\$'000	2008 US\$'000
Finance costs are analysed as follows:		
Interest expense in respect of:		
Bank term loans	1,221	1,543
Trade finance	819	1,771
Amount due to holding company	83	10
Lease creditors	10	17
	2,133	3,341
Bank charges	706	828
Others	3	1
	2,842	4,170

NOTES TO FINANCIAL STATEMENTS

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8. Exceptional items

	Group	
	2009 US\$'000	2008 US\$'000
Exceptional items are analysed as follows:		
Severance payments	751	–
Impairment of goodwill	652	558
Impairment losses on other financial assets	1,755	–
Impairment losses on available-for-sale financial assets	960	–
Impairment losses on property, plant and equipment	2,343	–
Provision for loss on disposal group classified as held for sale	439	–
Loss on disposal of business	74	–
	6,974	558

9. Loss before taxation

	Group	
	2009 US\$'000	2008 US\$'000
The following items have been included in arriving at loss before taxation:		
Amortisation of intangible assets	579	559
Depreciation of property, plant and equipment	2,171	2,355
Foreign exchange loss/(gain)	673	(741)
Property, plant and equipment written off	57	83
Gain on disposal of property, plant and equipment	(10)	(694)
Staff costs		
- Contributions to national pension schemes	1,031	1,307
- Salaries, wages, bonuses and other costs	11,624	16,785
Trade debts written off	66	83
Allowance for doubtful trade debts	584	4,021
Stocks written down	42	1,509
Rental expenses	1,724	1,909
Legal and professional fees	1,421	1,052
Management fees	573	884
	573	884

10. Taxation

	Group	
	2009 US\$'000	2008 US\$'000
The major components of income tax expense for the years ended 31 December 2009 and 2008 are:		
Current taxation		
- Singapore	91	184
- Other countries	935	486
Deferred taxation		
- Singapore	1	6
- Other countries	(99)	–
	928	676
Under/(over) provision in respect of prior years		
- Current taxation	218	406
- Deferred taxation	(99)	(14)
	119	392
	1,047	1,068

NOTES TO FINANCIAL STATEMENTS

31 December 2009

10. Taxation (cont'd)

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

	Group	
	2009 %	2008 %
Domestic statutory tax rate	(17.0)	(18.0)
Tax effect of:		
Income not subject to taxation	(3.7)	(2.3)
Expenses not deductible for tax purposes	29.0	23.7
Effect of tax exemption	(5.0)	(1.1)
Under provision of taxation in respect of prior years	1.7	6.6
Utilisation of losses brought forward	–	(1.7)
Different tax rates of other countries	(0.7)	0.1
Deductible temporary differences not recognised	10.5	10.8
Others	0.3	–
Effective tax rate	15.1	18.1

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

The Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately US\$4,926,000 (2008: US\$4,482,000) and US\$253,000 (2008: US\$235,000) 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.

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\$3,587,000 (2008: US\$3,585,000), 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.

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 Nil (2008: US\$99,000).

11. Loss per share

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

Diluted loss per share amounts are calculated by dividing the net loss for the year 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

11. Loss per share (cont'd)

The following table reflects the net loss and share data used in the computation of basic and diluted loss per share for the financial years ended 31 December:

	Group	
	2009 US\$'000	2008 US\$'000
Net loss attributable to ordinary equity holders of the Company used in the computation of basic and diluted loss per share	(7,010)	(6,810)
Weighted average number of ordinary shares in issue applicable to basic and diluted loss per share	224,081	224,081

As there was no share options and warrants granted during the financial year or outstanding as at the end of the financial year, the basic and diluted loss per share are the same.

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12. Intangible assets

Group	Project development expenditure ^(a) US\$'000	Licence Fee ^(b) US\$'000	Goodwill ^(c) US\$'000	Customer Relationships ^(d) US\$'000	Club Memberships ^(d) US\$'000	Total US\$'000
Cost						
At 1 January 2008	450	394	4,420	4,332	270	9,866
Additions	262	–	352	–	–	614
Currency realignment	(25)	(22)	(165)	(217)	(8)	(437)
At 31 December 2008 and 1 January 2009	687	372	4,607	4,115	262	10,043
Additions	104	–	–	–	–	104
Write off	–	(372)	–	–	–	(372)
Currency realignment	12	–	–	–	–	12
At 31 December 2009	803	–	4,607	4,115	262	9,787
Accumulated amortisation and impairment						
At 1 January 2008	450	394	–	362	57	1,263
Amortisation	–	–	–	556	3	559
Write off	–	–	558	–	–	558
Currency realignment	(25)	(22)	–	(18)	(3)	(68)
At 31 December 2008 and 1 January 2009	425	372	558	900	57	2,312
Amortisation	35	–	–	541	3	579
Write off	–	(372)	652	–	–	280
Currency realignment	12	–	–	–	–	12
At 31 December 2009	472	–	1,210	1,441	60	3,183
Net carrying amount						
At 31 December 2009	331	–	3,397	2,674	202	6,604
At 31 December 2008	262	–	4,049	3,215	205	7,731

NOTES TO FINANCIAL STATEMENTS

31 December 2009

12. Intangible assets (cont'd)

- (a) Project development expenditure relates to material cost incurred in the chipset development projects and will be amortised on a straight line basis over the period of expected benefits. Amortisation of project development expenditure is included in the "General and administrative costs" in the consolidated income statement.
- (b) The licence fee has been written off during the year as a result of the expiry of the licence.
- (c) Impairment review of goodwill was done by comparing the recoverable amounts, determined based on value in use calculations with the carrying value of the cash-generating units ("CGU"). The portion of goodwill written off arose due to the disposal of two subsidiary companies classified as held for sale (Note 23) subsequent to financial year end at the respective net book values of these subsidiary companies as at 31 December 2009. Goodwill written off is included in the "Exceptional items" in the consolidated income statement. 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 electronics industry, the Group conducts periodic review of the growth trends, demand and supply forecast for the electronics industry and accordingly, the forecast and projection may require periodic revision to reflect the developments in the global electronics market.

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

- Forecast growth rates of the CGUs of between 5% and 10%.
- Terminal growth rates of the CGUs of 3%.
- 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 12.6% (2008: 12.2%) per annum, being the weighted average cost of capital of the respective cash generating units in which the goodwill relates to.

The carrying amount of goodwill is allocated to the electronics distribution segment.

- (d) Amortisation of customer relationships and club memberships are included in the "Selling and marketing costs" and "General and administrative costs" respectively in the consolidated income statement.

	Company	
	2009 US\$'000	2008 US\$'000
Club memberships	102	102

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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 2008	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 and 1 January 2009	2,249	2,387	14,416	5,804	922	595	26,373
Additions	–	61	9	127	644	–	841
Disposals/write offs	(322)	(833)	(1,483)	(524)	–	(252)	(3,414)
Transfer	–	356	–	(356)	–	–	–
Transfer to assets of disposal group classified as held for sale	–	(87)	(3)	(92)	–	–	(182)
Currency realignment	4	24	340	24	2	5	399
At 31 December 2009	1,931	1,908	13,279	4,983	1,568	348	24,017
Accumulated depreciation and impairment							
At 1 January 2008	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 and 1 January 2009	170	1,813	10,770	4,079	–	353	17,185
Charge for the year	96	359	885	771	–	60	2,171
Disposals/write offs	(71)	(667)	(1,182)	(501)	–	(178)	(2,599)
Impairment losses	–	237	2,272	(195)	–	29	2,343
Transfer to assets of disposal group classified as held for sale	–	(87)	(3)	(80)	–	–	(170)
Currency realignment	–	18	350	23	–	5	396
At 31 December 2009	195	1,673	13,092	4,097	–	269	19,326
Net carrying amount							
At 31 December 2009	1,736	235	187	886	1,568	79	4,691
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 2008	45
Additions	2
Transfer	(2)
Disposals/write offs	(2)
At 31 December 2008 and 1 January 2009	43
Additions	1
At 31 December 2009	44
Accumulated depreciation	
At 1 January 2008	35
Charge for the year	6
Disposals/write offs	(2)
At 31 December 2008 and 1 January 2009	39
Charge for the year	3
At 31 December 2009	42
Net book value	
At 31 December 2009	2
At 31 December 2008	4

(a) Construction-in-progress

Construction-in-progress relates to the construction of a vessel in the People's Republic of China. The Group has performed an impairment assessment using cash flow projections based on the financial budgets covering a four-year period. The construction of the vessel is targeted for completion in June 2011 and revenue generating activities will start in the same month. The forecast revenue included revenue estimated based on budgeted entrance fees and number of visitors and other sources of revenue such as advertising. As the project is still in progress and expected to be profit making, there are no impairment indicators at this juncture.

(b) Assets held under finance leases and assets pledged as security

The net carrying amounts of plant and equipment held under finance leases at 31 December are as follows:

	Group	
	2009 US\$'000	2008 US\$'000
Motor vehicles	–	116
Office equipment	–	4
	–	120

Leased assets, which have been fully impaired, are pledged as security for the related finance lease liabilities.

(c) Impairment of assets

During the financial year, the subsidiary companies of the Group within the semiconductor test and consumables segment, Spire Technologies Pte Ltd and Apogee Test Pte Ltd, carried out a review of the recoverable amounts of the respective property, plant and equipment as the subsidiary companies have been persistently making losses. An impairment loss of US\$2,343,000 (2008: Nil), representing the write-down of these property, plant and equipment in full, was included in the "Exceptional items" in the consolidated income statement.

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14. Investments in subsidiary companies

	Company	
	2009 US\$'000	2008 US\$'000
Unquoted shares, at cost	35,884	35,884
Allowance for impairment	(2,762)	(1,547)
Carrying amount of investments	33,122	34,337
Movement in allowance account:		
At 1 January	1,547	1,469
Charge for the year	1,215	78
At 31 December	2,762	1,547

During the financial year, the Company recognised an impairment loss of US\$1,215,000 (2008: US\$78,000) on its investment in a subsidiary company, Spire Technologies Pte Ltd, as the subsidiary company has been persistently making losses and the investment has been assessed to be fully impaired as at 31 December 2009.

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

15. Investments in associated companies

	Group	
	2009 US\$'000	2008 US\$'000
Unquoted shares, at cost	75	133
Share of post-acquisition losses	(66)	(23)
	9	110

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

The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2009 US\$'000	2008 US\$'000
Assets and liabilities:		
Current assets	317	551
Non-current assets	32	40
Total assets	349	591
Current liabilities	330	308
Non-current liabilities	–	9
Total liabilities	330	317
Results:		
Revenue	377	920
Loss for the year	(136)	(17)

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16. Available-for-sale financial assets

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Unquoted equity shares, at cost	12,592	12,578	6,746	6,746
Allowance for impairment	(11,659)	(10,685)	(5,812)	(4,852)
	933	1,893	934	1,894
Quoted equity shares in corporations, at fair value	45	45	–	–
	978	1,938	934	1,894
Movement in allowance account:				
At 1 January	10,685	10,444	4,852	4,610
Charge for the year	960	242	960	242
Exchange differences	14	(1)	–	–
At 31 December	11,659	10,685	5,812	4,852

During the financial year, the Group and the Company recognised an impairment loss of US\$960,000 (2008: US\$242,000) pertaining to an unquoted equity instrument carried at cost, reflecting the write down in the carrying value of this private equity investment as a result of the deteriorating financial results and financial position of the investee company.

The impairment losses are included in the “Exceptional items” in the consolidated income statement.

17. Other financial assets

	Group and Company	
	2009 US\$'000	2008 US\$'000
Loan to external party – nominal amounts	1,755	1,664
Allowance for impairment	(1,755)	–
	–	1,664
Movement in allowance account:		
At 1 January	–	–
Charge for the year	1,755	–
At 31 December	1,755	–

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 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 Dragon Treasure Boat business.

The loan extended to DAM as at 31 December 2009 amounted to US\$1,755,000 (2008: US\$1,664,000). The loan is structured as follows:

- unsecured;
- 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;
- repayable after 2 years from date of draw down or upon request by the Company; and
- 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.

During the financial year, the Group and the Company recognised an impairment loss of US\$1,755,000 (2008: Nil) on the loan to DAM as a result of the deteriorating financial results and financial position of DAM.

The impairment loss is included in the “Exceptional items” in the consolidated income statement.

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18. Amounts due from subsidiary companies

	Company	
	2009 US\$'000	2008 US\$'000
Amounts due from subsidiary companies	11,083	13,629
Allowance for impairment	(3,475)	(264)
	7,608	13,365
Disclosure in statement of financial position		
Non-current (quasi-equity)	5,970	11,699
Current	1,638	1,666
	7,608	13,365
Movement in allowance account:		
At 1 January	264	9,274
Charge for the year	3,211	37
Written off	—	(9,047)
At 31 December	3,475	264

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 non-interest bearing (2008: 4.5% to 7.5% per annum) and repayable only when the cash flow of these companies permit.

During the financial year, the Company recognised an impairment loss of US\$3,211,000 (2008: US\$37,000) on the amounts due from subsidiary companies as a result of the deteriorating financial results and financial positions of the subsidiary companies.

19. Stocks

	Group	
	2009 US\$'000	2008 US\$'000
Statement of financial position		
Raw materials	363	178
Work-in-progress	—	29
Finished goods	17,049	23,376
	17,412	23,583
Income statement		
Inclusive of the following charge:		
- Stocks written down	42	1,509

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20. 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 31 December 2009, trade debtors arising from export sales amounting to US\$1,691,000 (2008: US\$441,000) were arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

(a) Trade debtors aging

	Group 2009			Group 2008		
	Gross US\$'000	Allowance US\$'000	Net US\$'000	Gross US\$'000	Allowance US\$'000	Net US\$'000
Not past due	39,294	—	39,294	39,639	—	39,639
Less than 30 days	8,162	—	8,162	10,082	—	10,082
30 to 60 days	979	—	979	4,529	—	4,529
61 to 90 days	343	—	343	815	—	815
More than 90 days	6,822	(5,348)	1,474	7,149	(5,320)	1,829
	<u>55,600</u>	<u>(5,348)</u>	<u>50,252</u>	<u>62,214</u>	<u>(5,320)</u>	<u>56,894</u>

(b) Analysis of allowance for doubtful trade debts

The movement of the allowance account used to record the impairment are as follows:

	Group	
	2009 US\$'000	2008 US\$'000
Movement in allowance account:		
At 1 January	5,320	2,452
Charge for the year	584	4,021
Written off	(545)	(191)
Reclass to assets of disposal group classified as held for sale	(12)	—
Exchange differences	1	(962)
At 31 December	<u>5,348</u>	<u>5,320</u>

(c) Trade debtors that are impaired

Trade debtors that were individually determined to be impaired at 31 December 2009 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 (2008: US\$1,780,000) before deducting allowance of US\$539,000 (2008: 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 his shares in ASTI. During the financial year ended 31 December 2008, the director has transferred his legal and beneficial interest in part of these ASTI shares valued at US\$794,000 (2008: 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 27).

The remaining balance of the trade debtor of US\$447,000 (2008: US\$355,000) for which no allowance has been made represents the market value of the remaining ASTI shares as at 31 December 2009 which has yet to be transferred to the Group.

The remaining debtors are not secured by any collateral or credit enhancements.

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21. Other debtors

	Group		Company	
	2009 US\$' 000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Deposits	437	385	11	5
Interest receivable	834	832	–	–
Staff loans	23	14	–	–
Recoverable expenses	–	216	–	216
Due from an associated company	277	262	–	–
Due from a related party	67	11	–	–
Sale consideration receivable (Note 4c)	540	–	–	–
Sundry debtors	1,131	659	90	186
	3,309	2,379	101	407
Allowance for doubtful debts	(848)	(848)	(16)	(16)
	2,461	1,531	85	391

The interest receivable mainly relates to 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 in cash.

22. Cash and bank balances

	Group		Company	
	2009 US\$' 000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Cash at bank and on hand	14,570	21,425	154	192
Fixed deposits	4,201	2,800	–	–
	18,771	24,225	154	192

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

During the financial year, fixed deposits of US\$1,401,000 (2008: Nil) were pledged to secure banking facilities granted to a subsidiary company. Fixed deposits of the Group with financial institutions mature within 1 month (2008: 1 month) from the financial year end. Interest rate for the Group was 0.1% (2008: 0.8% to 3.47%) per annum.

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	2009 US\$'000	2008 US\$'000
Cash and bank balances	18,771	24,225
Cash and cash equivalents of disposal group classified as held for sale	1,964	–
	20,735	24,225
Less: Pledged fixed deposits	(1,401)	–
	19,334	24,225

23. Disposal group classified as held for sale

On 3 November 2009, the Group entered into a Share Sale Agreement to dispose of two of its wholly-owned subsidiary companies, FE Global Taiwan Co., Ltd and Advance Electronics Supply Co., Ltd (collectively, the “disposal group”), which was previously reported in the electronics distribution segment. As at 31 December 2009, the assets, liabilities and reserve related to the disposal group have been presented in the statement of financial position as “Assets of disposal group classified as held for sale”, “Liabilities directly associated with disposal group classified as held for sale” and “Reserve of disposal group classified as held for sale”. The sale of the disposal group was completed on 22 January 2010 (Note 42).

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23. Disposal group classified as held for sale (cont'd)

The major classes of assets and liabilities of the disposal group classified as held for sale and the related foreign currency translation reserve as at 31 December are as follows:

	Group	
	2009 US\$'000	2008 US\$'000
Assets		
Stocks	1,898	–
Prepayments	34	–
Trade debtors	5,300	–
Other debtors	159	–
Tax recoverable	43	–
Cash and bank balances	1,964	–
Total assets	9,398	–
Liabilities		
Amounts due to bankers	1,397	–
Trade creditors and accruals	1,776	–
Other creditors	53	–
Total liabilities	3,226	–
Reserve		
Foreign currency translation reserve	(439)	–

The loss recognised on the disposal group classified as held for sale amounted to US\$1,091,000 (2008: Nil) which comprised the impairment of goodwill and provision for loss on disposal group classified as held for sale of US\$652,000 (2008: Nil) and US\$439,000 (2008: Nil) respectively included in the "Exceptional items" in the consolidated income statement.

24. Amounts due to bankers

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Term loans and revolving credit facilities				
Current	23,632	31,372	1,613	3,764
Non-current	590	–	–	–
	24,222	31,372	1,613	3,764

The amounts due to bankers (current) bear interest at 2.75% to 5.11% (2008: 2.6% to 7.28%) per annum and are repayable on monthly and quarterly basis ending in 2010 (2008: 2010) except for US\$12,865,000 (2008: US\$27,367,000) repayable within 90 days and subject to renewal basis.

The amounts due to bankers (non-current) bear interest at 3.5% to 4.0% (2008: Nil) per annum and are repayable on a monthly basis ending in 2014.

These facilities are secured by way of joint and several corporate guarantees from ASTI, the Company and certain subsidiary companies of the Group.

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25. Bills payable to banks

The bills payable to banks are covered by corporate guarantees from ASTI, the Company and certain subsidiary companies. The bills payable have maturity periods ranging from 1 month to 3 months (2008: 3 months to 4 months) and bear interest at approximately 2.26% to 4.23% (2008: 3.175% to 7.6%) per annum, which approximate the effective interest rates.

26. Trade creditors and accruals

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Trade creditors	31,787	30,457	–	–
Accruals	2,955	2,868	229	361
	<u>34,742</u>	<u>33,325</u>	<u>229</u>	<u>361</u>

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

27. Other creditors

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Lease creditors (Note 32)	24	36	–	–
Proposed Directors' fees	134	131	93	131
Deposits received	840	183	–	–
Due to Directors of subsidiary companies	60	59	–	–
Sundry creditors	2,970	3,367	116	42
Due to an associated company	(16)	181	–	–
Due to a related party	108	65	–	–
Prepayments by customers	244	257	–	–
	<u>4,364</u>	<u>4,279</u>	<u>209</u>	<u>173</u>

Deposits received mainly relate to amounts received for disposal of two subsidiary companies (Note 23) and 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 (2008: US\$794,000) which relates to the value of ASTI shares transferred from a Director in 2008 as indemnity for a trade debtor (Note 20).

28. 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\$4,850,000 (2008: US\$1,510,000) which bears interest at 3.5% (2008: 5.175%) per annum.

29. 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.

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30. Convertible loans

On 9 September 2009, the Company entered into a convertible loan agreement with various investors, pursuant to which the investors have granted a US\$657,000 (S\$923,000) (2008: Nil) convertible loan to the Company. The amount drawn down as at 31 December 2009 was US\$554,000 (2008: Nil).

The principal terms of the convertible loan agreement are as follows:

- (a) Interest: The convertible loans bear interest at the rate of 3% per annum.
- (b) Repayment: The convertible loans are repayable in full on the first anniversary of the first disbursement date, unless otherwise repaid or repayable earlier in accordance with the terms of the convertible loan agreement.
- (c) Conversion option: The principal amount of the convertible loans may be converted, at the option of the investors, into conversion shares at a conversion price of S\$0.04616 per conversion share subject to certain conditions being fulfilled.
- (d) Conversion shares: The conversion shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank pari passu in all respects with all other existing ordinary shares in the Company.

31. Deferred taxation

	Group	
	2009 US\$'000	2008 US\$'000
Gross deferred tax liabilities:		
Differences in depreciation	97	96
Intangible assets	557	755
	654	851

32. Lease creditors

Group	Minimum lease payments		Net present value of lease payments	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Future payments payable for finance leases				
Not later than one year	27	42	24	36
Later than one year but not later than five years	72	95	51	76
More than five years	23	39	17	29
	122	176	92	141
Finance charges allocated to future periods	(30)	(35)	–	–
	92	141	92	141
Current portion (Note 27)	24	36	24	36
Non-current portion	68	105	68	105
	92	141	92	141

Finance leases bear interest ranging from 2.2% to 6.4% (2008: 2.2% 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.

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33. Share capital

	Group and Company			
	2009		2008	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid				
Balance at beginning	224,081	41,844	224,081	39,749
Effects of exchange due to FRS 21	–	–	–	2,095
Balance at end	224,081	41,844	224,081	41,844

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. The ordinary shares have no par value.

34. Capital reserve

The capital reserve relates to capitalisation of bonus issue by a subsidiary company in 2001.

35. Foreign currency translation reserve

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

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

36. Contingent liabilities

	Company	
	2009 US\$'000	2008 US\$'000
Contingent liabilities not provided for in the financial statements:		
- Corporate guarantees given to secure banking facilities for subsidiary companies	37,508	42,858
- Corporate guarantees given to secure supply of goods for subsidiary companies	3,883	300
	41,391	43,158

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 obligations for at least twelve months from the dates of the respective directors' report.

The contractual expiry by maturity of the Company's contingent liabilities is within 1 year (2008: 1 year), except for corporate guarantee of US\$590,000 (2008: Nil) given to secure banking facilities of a subsidiary company for which the contractual expiry by maturity is between 1 to 5 years.

37. Operating lease commitments

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

	Group	
	2009 US\$'000	2008 US\$'000
Not later than one year	882	1,305
Later than one year but not later than five years	1,048	843
	1,930	2,148

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37. Operating lease commitments (cont'd)

Rental expenses (principally for premises, machinery and equipment and internet lease lines) were US\$1,724,000 (2008: US\$1,909,000).

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 transactions

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.

(a) Sale and purchase 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 took place at terms agreed between the parties during the year:

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Holding company				
Management fee expense	132	351	132	351
Interest expense	83	10	–	–
Related companies				
Sales	–	824	–	–
Subsidiary companies				
Management fee income	–	–	75	75
Interest income	–	–	70	148
Interest expense	–	–	84	110
Associated companies				
Commission expense	263	488	–	–
Management fee income	48	21	–	–
Other related parties				
Technical services fee ⁽¹⁾	385	385	–	–
Commission expense ⁽²⁾	21	18	–	–

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 expense was paid to a director-related company for the provision of services to a subsidiary company.

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38. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2009 US\$'000	2008 US\$'000
Short-term employee benefits	1,291	1,258
Defined contribution benefits	21	23
Other short-term benefits	597	587
	1,909	1,868
Comprise amounts paid to:		
Directors of the Company	926	858
Other key management personnel	983	1,010
	1,909	1,868

At 1 January and 31 December 2009, 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 2009, no share options have been granted to the Company's Directors.

39. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives shall be undertaken. The objectives, policies and processes for managing each of these risks are summarised below.

(a) 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 31 December 2009, if USD interest rates had been 75 (2008: 75) basis points lower/higher with all other variables held constant, the Group's and the Company's loss net of tax would have been US\$71,000 (2008: US\$30,000) and US\$10,000 (2008: US\$28,000) respectively lower/higher, 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.

(b) 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.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

2009	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Group				
Financial assets				
Available-for-sale financial assets	–	–	978	978
Trade debtors	50,252	–	–	50,252
Other debtors	2,461	–	–	2,461
Cash and bank balances	18,771	–	–	18,771
Total undiscounted financial assets	71,484	–	978	72,462
Financial liabilities				
Amounts due to bankers	24,206	704	–	24,910
Bills payable to banks	15,461	–	–	15,461
Trade creditors and accruals	34,742	–	–	34,742
Other creditors	4,340	–	–	4,340
Amount due to holding company	5,582	–	–	5,582
Convertible loans	554	–	–	554
Lease creditors	27	72	23	122
Long-term payables	–	–	376	376
Total undiscounted financial liabilities	84,912	776	399	86,087
Total net undiscounted financial (liabilities)/assets	(13,428)	(776)	579	(13,625)
Company				
Financial assets				
Available-for-sale financial assets	–	–	934	934
Amounts due from subsidiary companies	1,638	–	5,970	7,608
Other debtors	85	–	–	85
Cash and bank balances	154	–	–	154
Total undiscounted financial assets	1,877	–	6,904	8,781
Financial liabilities				
Amounts due to bankers	1,668	–	–	1,668
Trade creditors and accruals	229	–	–	229
Other creditors	209	–	–	209
Amount due to holding company	732	–	–	732
Amounts due to subsidiary companies	10,344	–	8,867	19,211
Convertible loans	554	–	–	554
Total undiscounted financial liabilities	13,736	–	8,867	22,603
Total net undiscounted financial liabilities	(11,859)	–	(1,963)	(13,822)

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

(b) Liquidity risk (cont'd)

2008	1 year or less	1 to 5 years	Over 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Financial assets				
Available-for-sale financial assets	–	–	1,938	1,938
Other financial assets	–	1,664	–	1,664
Trade debtors	56,894	–	–	56,894
Other debtors	1,531	–	–	1,531
Cash and bank balances	24,225	–	–	24,225
Total undiscounted financial assets	82,650	1,664	1,938	86,252
Financial liabilities				
Amounts due to bankers	31,588	–	–	31,588
Bills payable to banks	25,692	–	–	25,692
Trade creditors and accruals	33,325	–	–	33,325
Other creditors	4,243	–	–	4,243
Amount due to holding company	1,958	–	–	1,958
Lease creditors	42	95	39	176
Long-term payables	–	–	392	392
Total undiscounted financial liabilities	96,848	95	431	97,374
Total net undiscounted financial (liabilities)/assets	(14,198)	1,569	1,507	(11,122)
Company				
Financial assets				
Available-for-sale financial assets	–	–	1,894	1,894
Other financial assets	–	1,664	–	1,664
Amounts due from subsidiary companies	1,666	–	11,699	13,365
Trade debtors	99	–	–	99
Other debtors	391	–	–	391
Cash and bank balances	192	–	–	192
Total undiscounted financial assets	2,348	1,664	13,593	17,605
Financial liabilities				
Amounts due to bankers	3,906	–	–	3,906
Trade creditors and accruals	361	–	–	361
Other creditors	173	–	–	173
Amount due to holding company	544	–	–	544
Amounts due to subsidiary companies	6,766	–	11,473	18,239
Total undiscounted financial liabilities	11,750	–	11,473	23,223
Total net undiscounted financial (liabilities)/assets	(9,402)	1,664	2,120	(5,618)

The contractual expiry by maturity of the Company's contingent liabilities is disclosed in Note 36.

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

(c) 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 amounts due from subsidiary companies. For other financial assets (including available-for-sale financial assets and cash and bank balances), 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 20.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade debtors on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the date of statement of financial position is as follows:

By Country:	Group			
	2009		2008	
	US\$'000	% of total	US\$'000	% of total
People's Republic of China	33,655	67%	39,479	69%
Singapore	5,468	11%	4,473	8%
Malaysia	4,742	9%	2,468	4%
Taiwan	2,000	4%	3,278	6%
India	1,239	2%	1,890	3%
Thailand	1,065	2%	2,075	4%
Korea	828	2%	1,138	2%
Others	1,255	3%	2,093	4%
	50,252	100%	56,894	100%

Exposure to credit risk

At the date of statement of financial position, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and
- The nominal amounts of corporate guarantees provided by the Company (Note 36).

At the date of statement of financial position, approximately 58% (2008: 39%) of the Group's trade debtors are due from 5 (2008: 5) major customers in the Group. Almost all of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

(d) 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 currencies. The foreign currencies in which these transactions are denominated are mainly USD. No company in the Group has entered into any derivatives to manage foreign currency risk.

The Group is also exposed currency translation risk arising from its net investments in foreign operations, including People's Republic of China, Malaysia and Korea. The Group's investments in these foreign operations are not hedged as currency positions in Renminbi ("RMB"), Malaysia Ringgit ("Ringgit") and Korean Won are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

		Group Net Profit		Company Net Profit	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
USD	Strengthened by 3% (2008: 5%)	-172	-155	-	-
	Weakened by 3% (2008: 5%)	+172	+155	-	-
Ringgit	Strengthened by 3% (2008: 5%)	+58	+116	+58	+116
	Weakened by 3% (2008: 5%)	-58	-116	-58	-116

NOTES TO FINANCIAL STATEMENTS

31 December 2009

40. Financial Instruments

(a) Categories of financial instruments

	Note	Group		Company	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Loans and receivables					
Other financial assets	17	–	1,664	–	1,664
Amounts due from subsidiary companies	18	–	–	7,608	13,365
Trade debtors	20	50,252	56,894	–	99
Other debtors	21	2,461	1,531	85	391
Cash and bank balances	22	18,771	24,225	154	192
		<u>71,484</u>	<u>84,314</u>	<u>7,847</u>	<u>15,711</u>
Financial liabilities measured at amortised cost					
Amounts due to bankers	24	24,222	31,372	1,613	3,764
Bills payable to banks	25	15,361	25,679	–	–
Trade creditors and accruals	26	34,742	33,325	229	361
Other creditors	27	4,364	4,279	209	173
Amount due to holding company	28	5,582	1,958	732	544
Amounts due to subsidiary companies	29	–	–	19,211	18,239
Convertible loans	30	554	–	554	–
Lease creditors	32	68	105	–	–
Long-term payables		376	392	–	–
		<u>85,269</u>	<u>97,110</u>	<u>22,548</u>	<u>23,081</u>
Available-for-sale financial assets	16	<u>978</u>	<u>1,938</u>	<u>934</u>	<u>1,894</u>

(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) **Trade and other debtors, cash and bank balances, amounts due to bankers (current), bills payable to banks, trade creditors and accruals and other creditors, amounts due from/(to) subsidiary companies (current) and holding company and convertible loans**

The fair values of these financial instruments approximate their carrying amounts because of their short-term maturity.

- (ii) **Available-for-sale financial assets (unquoted)**

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

- (iii) **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 (non-current) as there are no repayment terms and hence, the timing of cash flow cannot be estimated reliably.

- (iv) **Amounts due to bankers (non-current)**

The carrying amounts of amounts due to bankers (non-current) are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near 31 December 2009.

- (v) **Lease creditors (non-current) and long term payables**

The fair values of lease creditors (non-current) and long term payables are determined by discounting the relevant cash flow using current interest rates for similar instruments at 31 December 2009.

There is no significant difference between the fair values and the carrying amounts as at 31 December 2009.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

41. 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 total capital plus net debt. The Group includes within net debt, amounts due to financial institutions and convertible loans, less cash and cash equivalents. Total capital includes equity attributable to equity holders of the Company. As at 31 December 2009, the gearing ratio of the Group is 55% (2008: 58%).

	Note	Group	
		2009 US\$'000	2008 US\$'000
Loans and borrowings			
Amounts due to bankers	24	24,222	31,372
Bills payable to banks	25	15,361	25,679
Convertible loans	30	554	–
Less: Cash and cash equivalents		<u>(19,334)</u>	<u>(24,225)</u>
Net debt		<u>20,803</u>	<u>32,826</u>
Equity attributable to equity holders of the Company		<u>16,952</u>	<u>23,545</u>
Capital and net debt		<u>37,755</u>	<u>56,371</u>
Gearing ratio		<u>55%</u>	<u>58%</u>

No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

42. Events occurring after date of statement of financial position

On 22 January 2010, the Group completed the sale of two of its wholly-owned subsidiary companies (Note 23).

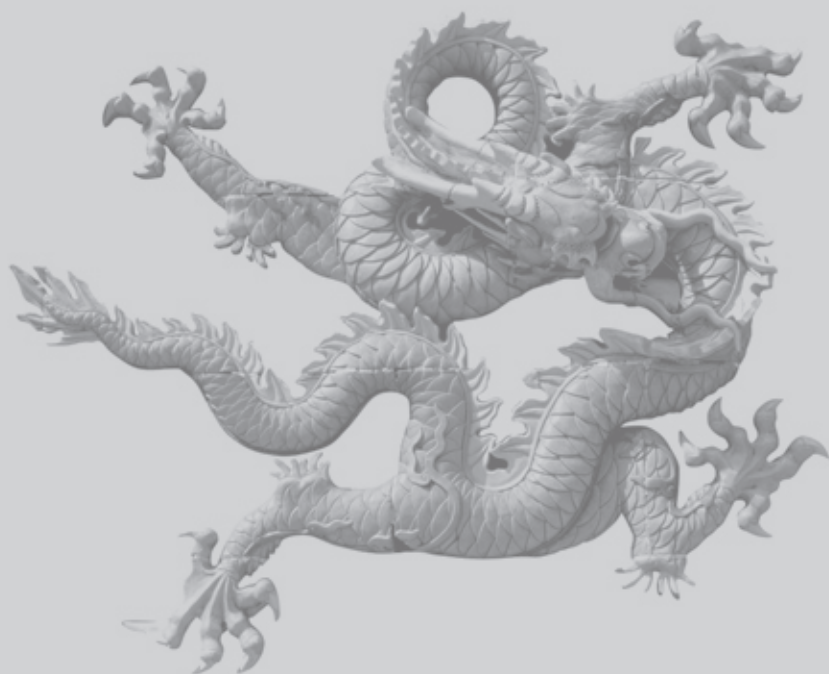
43. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 30 March 2010.

APPENDIX 3

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2009

STATISTICS OF SHAREHOLDINGS



Statistics of Shareholdings

As at 18 March 2010

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	163	4.71	48,596	0.02
1,000 - 10,000	2,686	77.56	9,339,357	4.17
10,001 - 1,000,000	606	17.50	30,831,088	13.76
1,000,001 and above	8	0.23	183,862,415	82.05
Total :	3,463	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	Tan Citi Time Pte Ltd	4,667,000	2.08
3	Lim & Tan Securities Pte Ltd	2,336,333	1.04
4	B.G. Tan Investments Pte Ltd	2,163,000	0.97
5	Wong Yen Siang	1,969,000	0.88
6	DBS Nominees Pte Ltd	1,778,800	0.79
7	United Overseas Bank Nominees Pte Ltd	1,750,840	0.78
8	Sunshine Bay Limited	1,134,000	0.51
9	OCBC Nominees Singapore Pte Ltd	837,400	0.37
10	Phillip Securities Pte Ltd	822,200	0.37
11	Tan Lye Seng	777,000	0.35
12	Mohammad Khalid Khan	569,000	0.25
13	Kua Chee Keong	520,000	0.23
14	Yeo Yee Ter	500,000	0.22
15	Tang Houi Miang	489,000	0.22
16	CIMB-GK Securities Pte. Ltd.	436,000	0.19
17	Ong Siew Heong	430,000	0.19
18	Espoir Investments Pte Ltd	400,000	0.18
19	Jamila Hamzaally Abdulhusein	400,000	0.18
20	Wong Peng Weng	348,000	0.16
	Total :	190,391,015	84.96

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.

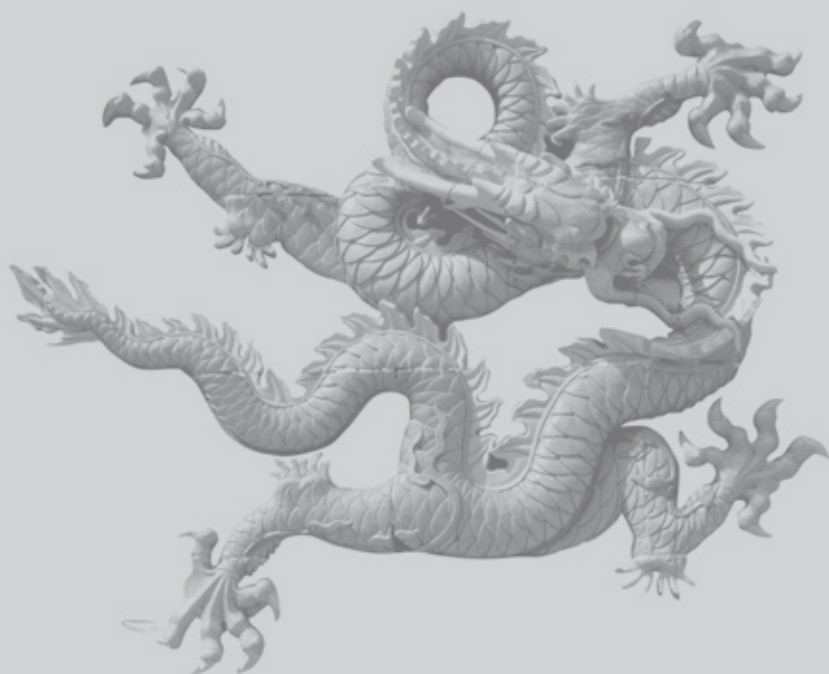
PERCENTAGE SHAREHOLDING IN PUBLIC'S HAND (RULE 723)

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 2009

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, 29 April 2010 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 2009 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association:

Haji Zubir bin Haji Harun	(Article 103)	(Resolution 2)
Mr Timothy Lim Boon Liat	(Article 107)	(Resolution 3)
Dr Yu Kenneth Keung Yum	(Article 107)	(Resolution 4)

Haji Zubir bin Haji Harun, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees and will be considered independent.

Mr Steven Shen Hing who will be retiring pursuant to Article 103 of the Company’s Articles of Association, has notified the Company that he does not wish to seek re-election to the Board of Directors.
3. To approve the payment of Directors’ fees of S\$189,300 for the year ended 31 December 2009 (2008: S\$189,300). **(Resolution 5)**
4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
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. (50%) or (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

NOTICE OF ANNUAL GENERAL MEETING

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) the 100% limit on the aggregate number of shares to be issued in the case of pro rata renounceable rights issue set out in sub-paragraph (1) above is valid until 31 December 2010 or such other expiration date as may be determined by SGX-ST.
- (3) (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;
- (4) 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
- (5) (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 7)

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). The discount of not more than 20% is valid until 31 December 2010 or such other expiration date as may be determined by SGX-ST;
- (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 8)

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 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

NOTICE OF ANNUAL GENERAL MEETING

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 9)

By Order of the Board

Chee Choi Chun
Secretary
Singapore, 14 April 2010

Explanatory Notes:

- (i) The Ordinary Resolution 7 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. This measure is valid until 31 December 2010 or such other expiration date as may be determined by SGX-ST.
 - (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 8 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 9 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.

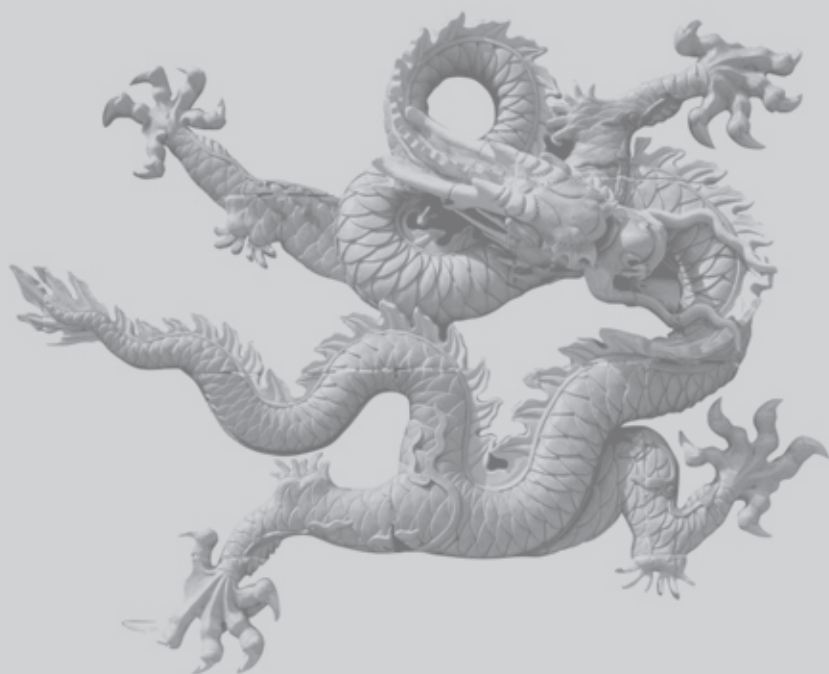
Notes :

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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

APPENDIX 5

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2009

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, 29 April 2010 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 2009		
2	Re-election of Encik Haji Zubir Bin Haji Harun as a Director		
3	Re-election of Mr Timothy Lim Boon Liat as a Director		
4	Re-election of Dr Yu Kenneth Keung Yum as a Director		
5	Approval of Directors' fees amounting to S\$189,300		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors		
7	Authority to issue shares in the capital of the Company		
8	Authority to issue shares at a discount exceeding 10% but not more than 20%		
9	Authority to issue shares under the Dragon Group Executives' Share Option Scheme		

Dated this _____ day of _____ 2010

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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 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.



DRAGON GROUP INTERNATIONAL LIMITED

A member of  **ASTI**

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