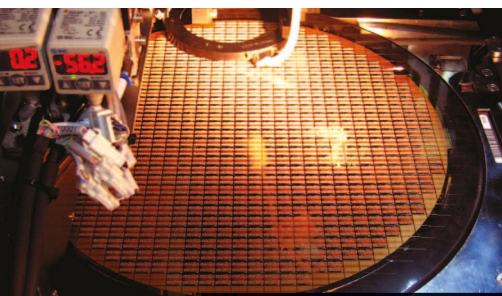



TECHNOLOGY • AUTOMATION • MOBILITY

ANNUAL REPORT 2011



DRAGON GROUP INTERNATIONAL LIMITED

A member of  ASTI

CONTENTS

About DGI	1
A Letter to Shareholders	2
Board of Directors	5
Key Management	7
Financial Highlights	8
Corporate Information	9
Appendix 1 Corporate Governance	A1
Appendix 2 Directors' Report and Audited Financial Statements	A2
Appendix 3 Statistics of Shareholdings	A3
Appendix 4 Notice of Annual General Meeting	A4
Appendix 5 Proxy Form	A5



Cover Rationale

The cover design depicts the three different businesses within the ASTI Group. The large picture represents Dragon Group International Limited's ("DGI") business, which is in the distribution of electronic components. The two smaller pictures represent the industries served by ASTI Holdings Limited and Advanced Systems Automation Limited, the two other companies within the Group.

The three words – Technology, Automation and Mobility explains the key concepts underlying the three businesses. "Mobility" is used to describe the business of DGI, which is focused on telecommunication infrastructure. The two other words describe the key businesses of the two other companies within the Group.

about DGI



The Dragon Group International Limited ("Dragon Group" or "DGI"), previously known as Flextech Holdings Limited, was founded in 1990. The shares of DGI are quoted on the mainboard of the Singapore Exchange. In June 2006, DGI became a subsidiary of mainboard listed ASTI Holdings Limited ("ASTI"), one of the world's leading semiconductor manufacturing services providers.

Riding on its DDD (Design, Develop and Distribute) capabilities, the Dragon Group focuses on demand creation through application solutions development in the communication and 3C convergence markets (convergence of Communication, Consumer and Computation devices, technologies and applications). Collaborating with a number of best-in-class suppliers, it provides in-depth products and solutions expertise to its customers in the key regional markets.

Headquartered in Singapore, the Dragon Group has subsidiaries and representative offices across Hong Kong, China, Taiwan, India, Indonesia, Korea, Malaysia, Philippines and Thailand.

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



a letter to **shareholders**

While we have arrested our 5-year decline, grew in 2011, and have positioned ourselves for strategic long term growth, there remains plenty of work to improve our technology skill set and grow our profitability. I believe the cloud and mobility will enable 3C convergence at a rapid pace, thus driving the super-cycle forward, and our potentials are likely to be realised in the long term.

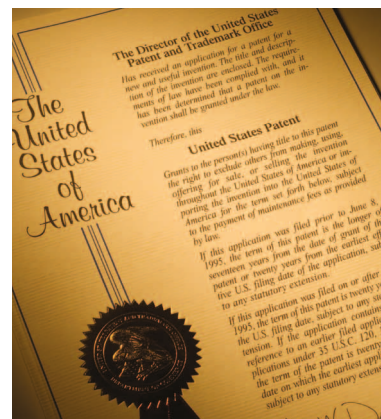
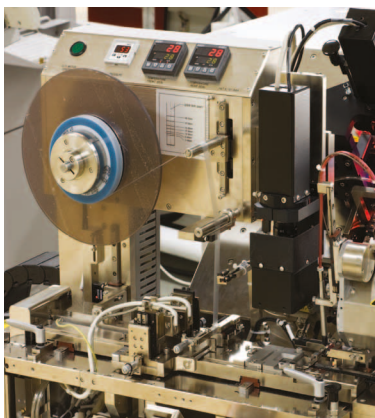
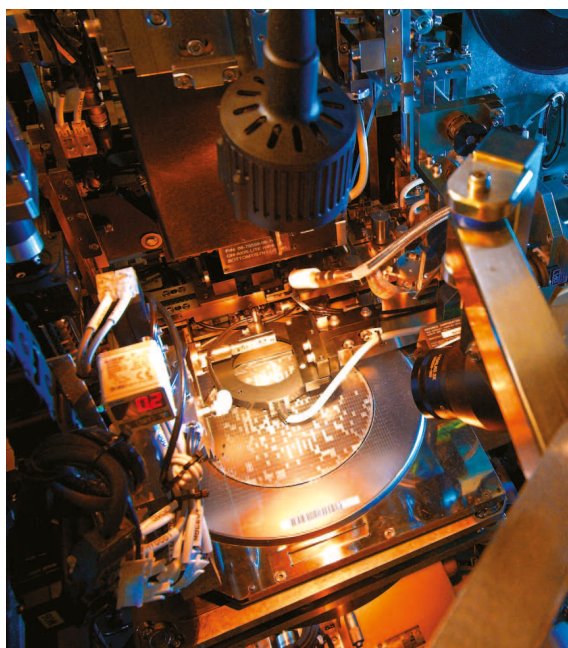


Dear Shareholders,

We rode the recovery from the Global Financial Crisis in 2010, and we navigated a treacherous 2011 through the Fukushima tsunami, the Thailand flood, the Arab Spring and the European crisis, emerging profitable for the year. Another event that was especially historic and gargantuan in 2011 was the passing of Steve Jobs, the enabler of our last super-cycle with the introduction of the Apple and the Macintosh, and our current super-cycle with the introduction of the iPhone and the iPad. Steve Jobs introduced the MacOS in the 1984 economic recovery from recession, and in doing so, he significantly transformed the world. Jobs introduced the iPad in the 2010 economic recovery from the Great Recession, and by 2011, the landscape transformation had once again begun.

2011 saw the tablet and a new category of 3C convergence (convergence of Communication, Consumer, and Computation devices, technologies and applications) products becoming mainstreamed. The smartphone and the tablet are driving a new social and commercial ecosystem. Their arrivals demanded innovations in the wireless and communication technologies to incorporate true mobility. Propelled by the emergence of the cloud, these new generation of solutions are driving the super-cycle, which is changing the very nature and habits of the way we Communicate, Consume, and Compute. Together, these changes are developing a new generation whose social and cultural norms are distinctly different than the last.

2011 was DGI's first year of revenue increase, after falling for 5 straight years. China and North Asia remained our key growth engines. Our focus on demand creation through application solutions development in the communication and 3C convergence markets has positioned us well with strong suppliers. We have added new suppliers and customers to our portfolio in 2011, and this should bode well for our longer term strategic future. We will continue to climb up the technology skill-set ladder in order to bring our DDD (Design, Develop, and Distribute) concept to fruition in the near future, and align ourselves strategically with the current super-cycle.



OPERATIONS AND FINANCIAL REVIEW

Having consolidated the operations of DGI, we started FY2011 with a stronger balance sheet. Driven by higher demand creation activities for our Principals and supported by the prevailing strong demand in the telecommunication and mobility markets in China and North Asia, we reported a 16.9% rise in revenue (According to IC Insights, the IC market reached \$319.5 billion in 2011, up 2 percent over 2010) and a 28.3% increase in net profits.

Revenue for the year totalled \$252.8 million compared to \$216.4 million in the previous financial year. In tandem with higher revenue in FY2011, gross profit increased to \$21.8 million from \$19.7 million in FY2010. While we were able to achieve our revenue target, we were not able to deliver the product mix that we initially set out to do. As such, our gross profit margin for the year was lower, decreasing from 9.1% in FY2010 to 8.6% in FY2011.

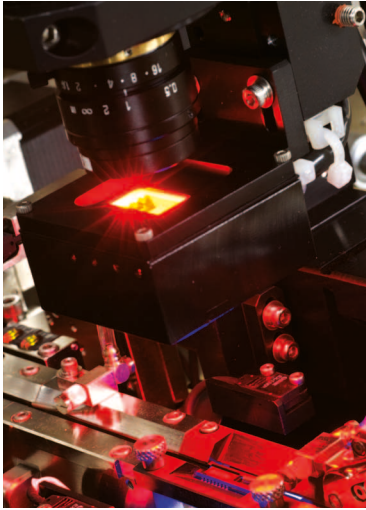
Corresponding to the higher business activities, operating expenses were also higher, increasing from \$17.8 million in FY2010 to \$19.0 million this year. However, financing costs remained comparable to the previous year despite higher borrowings undertaken to fund our higher inventory balance, which rose from \$20.8 million in FY2010 to \$25.4 million as at 31 December 2011.

At the close of FY2011, the Group reported a net profit after tax of \$0.8 million, which is 28.3% higher than the net profit of \$0.6 million reported in the previous financial year.

Despite higher business activities, there was a marginal decrease in trade debtors in FY2011 as trade debtors' balance decreases from \$59.2 million to \$59.0 million. Trade creditors and accruals also rose marginally from \$31.9 million to \$32.5 million in FY2011.

As part of the Group's streamlining exercise, we acquired the remaining 20% equity interest in Spire Technologies Pte Ltd in October 2011, making it a wholly-owned subsidiary of the Group.

a letter to **shareholders**



THE PROSPECTS AHEAD

The outlook for worldwide semiconductor revenue in 2012 has been more positive recently and forecasts have been shifted up, although they are still languishing in low single digit, and remains short. China's 2012 growth target of 7.5%, revealed at the start of China's annual parliamentary meeting, is lower than the longstanding annual goal of 8 percent, reflecting the government's focus on delivering economic stability ahead of a leadership transition later in the year. Corporate behavior, China-relevant and Chinese companies in particular, will fine-tune to this outlook and make the necessary adjustments in financial planning accordingly. Couple that with the degradation of European competitiveness and efficiency, the lingering effects of the Thai flood supply chain disruption, inventory adjustments resulting from over-optimistic projection builds by those who lose market-share to Apple, and a shifting playing field typical in a super-cycle, we are likely to see a slower first half in 2012. While we have arrested our 5-year decline, grew in 2011, and have positioned ourselves for strategic long term growth, there remains plenty of work to improve our technology skill set and grow our profitability. I believe the cloud and mobility will enable 3C convergence at a rapid pace, thus driving the super-cycle forward, and our potentials are likely to be realised in the long term. Therefore, we continue to remain cautious about our performance in 2012.

It is important to note that DGI's business is prone to economic uncertainties and the cyclical nature of the semiconductor industry. Unforeseeable factors include but are not limited to foreign exchange volatility, intellectual property litigations, product and technology obsolescence, and inventory adjustments. In view of these factors, we will remain prudent and cautious in the management of our business.

IN APPRECIATION

In closing, I would like to thank all of our customers, shareholders, business associates and bankers for their confidence and trust in us, and I look forward to your support in the new financial year. On behalf of all my colleagues at DGI, I would like to thank our independent directors, Mr Teh Kim Seng and Mr Derek Loh Eu-Tse, who stepped down in 2011, for their contributions to the Group. To all of our employees, I appreciate your perseverance, dedication and commitment, as we continue to improve our cost management and operating efficiencies at DGI. I am confident that our current strategy with our will to emerge a leaner and more efficient entity will allow us to ride the super-cycle in front of us.

Yours sincerely,

Dato' Michael Loh

Executive Chairman and Chief Executive Officer

board of directors

**Dato' Michael Loh Soon Gnee, 56**

Executive Chairman and Chief Executive Officer

Bachelor of Science

*Double Major in Business Economics and Chemical Engineering
State University of New York, Buffalo, USA*

Dato' Loh has a distinguished career in the semiconductor industry. He brings with him more than 32 years of knowledge and experience in wafer fabrication, research and development and 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 is the Executive Chairman of the SGX-Mainboard-listed ASTI Holdings Limited and SGX-Catalist-listed Advanced Systems Automation Limited.

**Dr Kenneth Yu Keung Yum, 64**

Non-Executive Director

Nomination Committee Chairman

*PhD Electrical Engineering and Applied Physics
Stanford University*

Dr Yu brings with him over 30 years of experience from the areas of technology, product design and management. He had spent 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 is the co-author of 25 technical articles and owner of 6 patents.

Dr Yu is also a member of the Audit and Remuneration Committees of the Dragon Group.

**Mr Mohd. Sopiyan B. Mohd. Rashdi, 50**

Independent & Non-Executive Director

Audit Committee Chairman

Chartered Accountant

Malaysian Institute of Accountants, Malaysia (MIA:7391)

Degree in Accountancy

Institut Teknologi MARA, Malaysia

Mr Sopiyan brings with him a wealth of experience from his previous employment with Maybank Finance Bhd, Bank Negara Malaysia, Edaran Digital System Bhd Group of Companies and Financial Advisory Services where he was responsible for the accounting, financial, corporate finance, budgeting, treasury management and tax matters.

During his tenure with Bank Negara, he was attached to the Bank's regulatory department which oversees and monitors financial institutions. He was subsequently seconded to TPU Sdn Bhd, a company formed by Bank Negara to restructure and rehabilitate companies facing financial problems during the recession in the 1980s.

Currently, Mr Sopiyan is the Chief Executive Officer of PT Dragon Terra Venture, a company involved in capital market activities including corporate finance and fund raising exercises in Indonesia.

Mr Sopiyan is also a Member of the Remuneration and Nomination Committees of the Dragon Group.

board of directors

**Dato' Shaarani B. Ibrahim, 62**

Independent & Non-Executive Director
Remuneration Committee Chairman

*BA (Hons) International Relations
Universiti Malaya*

Dato' Shaarani brings with him more than 35 years of experience in government service and international relations having worked with the Ministry of Foreign Affairs, Malaysia and assumed various positions as the Ambassador of Malaysia to Thailand, Spain and Uzbekistan as well as the Under Secretary of South and East Asia Division at the Ministry.

Dato' Shaarani currently serves as an Independent Director & Member of Audit, Nomination & Remuneration Committees of CIMB Thailand, the Chairman of CIMB Cambodia, including Chairman of its Risk Committee and member of the Audit Committee as well as Board Member of Universiti Putra Malaysia (UPM) where he also serves as Chairman of its Audit Committee and member of the Investment Committee.

Dato' Shaarani is also a Member of both the Audit and Nomination Committees of the Dragon Group.

**Mr Timothy Lim Boon Liat, 47**

Executive Director

*Diploma in Sales and Marketing
CIMUK*

Mr Lim brings with him over 24 years of experience from the regional semiconductor industry. He has held various positions during his career including sales and management. Mr Lim is also currently the Group Human Resource Officer of the Group's ultimate holding company, ASTI Holdings Limited.



key management

Mr B S Chakravarthy

Managing Director of Dragon Technology Distribution (India)

Mr Chakravarthy joined the Group in 1998, bringing with him more than 20 years of experience from the electronics industry. He graduated with a Diploma in Electronics in 1988. In 1990, having worked for a private company for two-and-a-half years, he founded his own electronic components trading business in India. This was followed by the establishment of Decibels Electronics Pvt Ltd in 1995, which was subsequently integrated into FE-Decibels Electronics Pte Ltd, a joint-venture company that is 70% owned by Dragon Technology Distribution Pte Ltd.

Mr Choi Young Ju

Representative Director of FE Global Electronics Korea

Mr Choi has over 20 years of experience in the electronics industry. Prior to joining the Dragon Group in 1998, he was in charge of the sales department in Woo Young Tech Ltd. Mr Choi holds a BS degree in Electronic Engineering from the University of Incheon.

Mr Jia Tiejia

Director & Deputy General Manager of Nanjing DTB

Mr Jia started in 2001 as the General Manager for Dragon Technology Distribution Co., Ltd. in Hong Kong and China. He has many years of experience with the Chinese government and in the telecommunication industry. Prior to joining the Dragon Group, he was the diplomat for the Chinese embassy in Africa, the division head for Ministry of Foreign Trade in Beijing and the managing director for Lucent Technology Microelectronics Group in Greater China. Mr Jia holds an MBA degree from Thunderbird, USA. In 2006, he was made responsible for the management of the Dragon Group's Zhenghe Treasure Boat Project in Nanjing.

Mr Joe Yau

President of Dragon Technology Distribution (HK)

Mr Yau serves as President of Dragon Technology (HK) responsible for the business in China and the Asian region. He joined the group in 1999 and has over 20 years of experience in component distribution management. Mr Yau initially served as Marketing Director and later as General Manager for the Group's business in China. With his wealth of experience, he subsequently acts as President in 2011 and leads the company towards a new direction. Mr Yau is a graduate from the University of California, Irvine with B.A. in Business Administration.

Mr Lenus Kho

General Manager of Dragon Technology Distribution (ASEAN)

Mr Kho serves as General Manager of ASEAN Distribution with responsibility for strategy, growth and execution to accelerate the company's expansion across ASEAN. He joined the group in 1997 and has over 20 years of experience in the regional semiconductor industry. In addition, Mr Kho is a Director of most of the Dragon Group's subsidiary companies in Singapore. Mr Kho holds 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)

Mr Chong is a veteran with more than 27 years in the semiconductor industry. He is knowledgeable and well acquainted with the Hong Kong and China markets. He is also the Director of FE Global Shanghai Limited and Nanjing Dragon Treasure Boat Development Co., Ltd.

Mr Chong holds a Bachelor of Science in Engineering from the National Taiwan University.

Ms Michelle Ong Poh Leng

Group Financial Controller of DGI

Ms Ong oversees and is responsible for the accounting, financial and taxation matters of the Dragon Group. She joined the Dragon Group in 2010 and brings with her more than 10 years of experience in finance and accounting. Prior to her appointment at DGI, she served in finance managerial positions in WBL Corporation Limited and various SGX-Mainboard-listed companies. Her past experience included the handling of statutory and management reporting for a group of entities in the Asia Pacific region. Ms Ong is a Fellow of the Association of Chartered Certified Accountants. She is the Company Secretary for most of the Dragon Group's subsidiary companies in Singapore.

Mr Zhao Zhigang

Director of Nanjing DTB

Mr Zhao joined DTB since it was established six 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 a BA degree and a title of Senior Economist. Currently, he is the 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 the reconstruction of Zhenghe Treasure Boat in Nanjing.

financial highlights

RESULT OF OPERATIONS	2007	2008	2009	2010	2011
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
STATEMENT OF THE GROUP RESULTS					
Revenue	320,466	300,840	231,126	216,350	252,824
EBITDA	5,837	102	(1,080)	3,333	4,225
Profit/(loss) before income tax	2,547	(5,894)	(6,913)	341	1,463
Income Tax	(761)	(1,068)	(1,047)	288	(656)
Profit/(loss) for the year	1,786	(6,962)	(7,960)	629	807
Attributable to:					
Equity holders of the Company	2,180	(6,810)	(7,010)	663	853
Non-controlling interests	(394)	(152)	(950)	(34)	(46)
	1,786	(6,962)	(7,960)	629	807
Earning/(loss) per share (cents)	1.4	(3.0)	(10.5)	0.2	0.3
FINANCIAL POSITION OF THE GROUP					
Intangible assets	8,172	7,731	6,604	5,957	5,406
Property, plant and equipment	10,361	9,188	4,691	5,171	6,266
Available-for-sale financial assets	1,595	2,048	987	750	737
Other financial assets	-	1,664	-	-	-
Deferred tax assets	-	-	-	281	257
Current assets	118,831	107,556	98,817	105,724	106,950
Total Assets	138,959	128,187	111,099	117,883	119,616
Equity attributable to equity holders of the Company	31,291	23,545	16,952	31,415	32,567
Non-controlling interests	5,477	5,103	4,156	4,151	4,024
	36,768	28,648	21,108	35,566	36,591
Other long term & deferred liabilities	4,875	1,348	1,098	846	851
Current liabilities	97,316	98,191	88,893	81,471	82,174
Total Equity and Liabilities	138,959	128,187	111,099	117,883	119,616
NAV per share (cents)	13.96	10.51	7.57	11.22	11.63
Number of shares as at end of year	224,081,456	224,081,456	224,081,456	280,101,783	280,101,783
TURNOVER AND PROFITABILITY					
Analysis by Activities					
Turnover					
Electronics Distribution & Manufacturing	313,155	294,808	228,303	215,023	252,824
Semiconductor Test & Consumables	7,184	6,032	2,823	1,327	-
Technology Investments & Others	127	-	-	-	-
	320,466	300,840	231,126	216,350	252,824
Group profit/(loss) before tax					
Electronics Distribution & Manufacturing	2,780	3,372	2,205	3,764	4,207
Semiconductor Test & Consumables	(347)	(453)	(3,813)	249	-
Technology Investments & Others	114	(8,813)	(5,305)	(3,672)	(2,744)
Semiconductor Equipment & Services	-	-	-	-	-
	2,547	(5,894)	(6,913)	341	1,463

corporate information

BOARD OF DIRECTORS

Executive:

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

Timothy Lim Boon Liat
Executive Director

Non-Executive:

Mohd. Sopiyan B. Mohd. Rashdi
Lead Independent

Dato' Shaarani B. Ibrahim
Independent

Dr Kenneth Yu Keung Yum
Non-Executive Director

AUDIT COMMITTEE

Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Dr Kenneth Yu Keung Yum
Dato' Shaarani B. Ibrahim

NOMINATING COMMITTEE

Dr Kenneth Yu Keung Yum
Chairman

Mohd. Sopiyan B. Mohd. Rashdi
Dato' Shaarani B. Ibrahim

REMUNERATION COMMITTEE

Dato' Shaarani B. Ibrahim
Chairman

Dr Kenneth Yu Keung Yum
Mohd. Sopiyan B. Mohd. Rashdi

COMPANY SECRETARY

Yip Ming Fai

EXECUTIVE OFFICERS

B S Chakravarthy
*Managing Director of
Dragon Technology Distribution (India)*

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

Jia Tiejia
*Director & Deputy General Manager of
Nanjing DTB*

Joe Yau
*President of
Dragon Technology Distribution (HK)*

Lenus Kho
*General Manager of
Dragon Technology Distribution (ASEAN)*

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

Michelle Ong Poh Leng
*Group Financial Controller of
Dragon Group International Limited*

Zhao Zhigang
*Deputy Chairman & Executive Director of
Nanjing 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:
Christopher Wong
(Effective the financial year ended
31 December 2010)

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited



APPENDIX 1

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2011

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Year ended 31st December 2011

The Board of Directors (the “**Board**”) of Dragon Group International Limited (the “**Company**”) is committed to maintaining high standards of corporate governance and transparency within the Company and its subsidiaries (collectively, the “**Group**” or “**Dragon Group**”). The Board believes that good corporate governance is 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 during Financial Year 2011 with specific references to the Code of Corporate Governance 2005 (“**CCG**” or the “**Code**”).

BOARD MATTERS

Principle 1: The Board’s Conduct of its Affairs

Dragon Group has an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and Management remains accountable to the Board.

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 Nominating Committee 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.

Every director is expected to act in good faith and in the interest of the Company.

The Company has adopted internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

- quarterly financial results announcements and audited financial statements;
- annual budget;
- issue of shares after obtaining the authority from shareholders;
- declaration of interim dividends and proposed final dividends;
- convening of shareholders’ meetings;
- 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;
- major transactions proposal which include funding, merger, acquisition and disposal transactions.

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

To assist in the execution of its responsibilities, the Board has established a number of Board committees which includes a Nominating Committee (the “**NC**”), a Remuneration Committee (the “**RC**”) and an Audit Committee (the “**AC**”), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The number of meetings and attendance by the respective members are set out in the table on page 3 of this report.

CORPORATE GOVERNANCE 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.

Principle 2: Board Composition and Guidance

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 five Directors, two of whom are Independent 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 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 page 5 and 6 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 leads the Board to ensure its effectiveness on all aspects of its role and setting its agenda. He also bears responsibility to ensure accurate, timely and clear information flow to the Directors, ensure effective communication with shareholders, encourage constructive relations between the Board and Management, facilitate effective contribution of Non-Executive Directors and promote high standards of corporate governance.

All major decisions made by the Chairman are reviewed by the Board and AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration is reviewed periodically by the RC. Both the NC and RC comprise of Non-Executive directors, majority of whom are independent. 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 new Lead Independent Director, Mr Mohd. Sopiyan B. Mohd. Rashdi, 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

Nominating Committee

The appointment of new Directors to the Board is recommended by the NC. A majority of the members of the NC are independent. The NC was chaired by Mr Mohd. Sopiyan B. Mohd. Rashdi from 28 April 2011. He was subsequently replaced by Dr Kenneth Yu Keung Yum on 23 February 2012. 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:

CORPORATE GOVERNANCE REPORT

Board and Committee Membership

The Directors and Board Committee members at the date of this annual report are:

Directors	Board Membership	Committee Membership		
		Audit	Remuneration	Nominating
Dato' Michael Loh Soon Gnee	Executive	N.A.	N.A.	N.A.
Mr Timothy Lim Boon Liat	Executive	N.A.	N.A.	N.A.
Dr Kenneth Yu Keung Yum	Non-Executive	Member	Member	Chairman
Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent	Chairman	Member	Member
Dato' Shaarani B. Ibrahim	Independent	Member	Chairman	Member

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 FY 2011 are set out below:

Attendance at Board and Committee Meetings

Meetings	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of Meetings	4	4	1	1
Dato' Michael Loh Soon Gnee	4	2 [#]	N.A.	N.A.
Mr Timothy Lim Boon Liat	4	4 [#]	1 [#]	1 [#]
Dr Yu Kenneth Keung Yum*	4	3 and 1 [#]	0*	0*
Mr Mohd. Sopiyan B. Mohd. Rashdi*	4	3 and 1 [#]	0*	0*
Dato' Shaarani B. Ibrahim	4	4	1	1
Mr Derek Loh Eu-Tse**	1	1	1	1
Mr Teh Kim Seng**	1	1	1	1

By Invitation

* Dr Kenneth Yu Keung Yum and Mr Mohd. Sopiyan B. Mohd. Rashdi were appointed members of the AC, NC and RC on 28 April 2011.

** Mr Derek Loh Eu-Tse and Mr Teh Kim Seng retired as Directors of the Company on 28 April 2011.

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 retire 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 longest in office since their last election or appointment or have been in office for the last three years since their last election. In Dragon Group, even the CEO 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' interests in shares and debentures" on page 1 of the Directors' Report in Appendix 2 of this annual report.

CORPORATE GOVERNANCE REPORT

The dates of initial appointments and last re-election of the persons who are Directors as at the date of this annual report 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	28 April 2011
Mr Timothy Lim Boon Liat	Executive Director	12 August 2009	29 April 2010
Dr Kenneth Yu Keung Yum	Non-Executive Director	1 March 2010	29 April 2010
Dato' Shaarani B. Ibrahim	Independent Director	8 September 2010	28 April 2011
Mr Mohd. Sopiyan B. Mohd. Rashdi	Independent Director	16 February 2011	28 April 2011

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:

Mr Timothy Lim Boon Liat	Executive Director
Dr Kenneth Yu Keung Yum	Non-Executive Director

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually. In its annual review for FY 2011, the NC, having considered the guidelines set out in the Code, has confirmed the status of the following Non-Executive Directors:

Dato' Shaarani B. Ibrahim	Independent
Mr Mohd. Sopiyan B. Mohd. Rashdi	Independent
Dr Kenneth Yu Keung Yum	Non-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 and the contribution by each director to the effectiveness of the Board. 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 which 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 materials and are given detailed management information including specific divisional performance, variance analysis, budgets, forecasts, funding position and business updates of the Company prior to each Board meeting. The Board also duly monitors Management's performance and has separate and independent access to Management.

The Directors have separate and independent access to the Company Secretary and/or General Counsel. Duties of the Company Secretary and/or General Counsel include ensuring that Board procedures are followed and complied with applicable rules and regulations including the Companies Act, Cap. 50 and the SGX-ST Listing Manual. The Company Secretary and/or General Counsel under the direction of the Chairman also ensure good information flows within the Board and its Committees and between senior management and non-executive Directors. The Company Secretary and/or General Counsel attend all Board and AC meetings. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION

Principle 7: Procedures for Developing Remuneration Policies

Remuneration Committee

The Board has set up an RC comprising three Non-Executive Directors, the majority of whom, including the Chairman, is independent (See Board Membership on page 3 of this report). There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director is involved in deciding his own remuneration.

The RC's principal responsibilities are to:

- recommend to the Board, the base salary levels, benefits and incentive programs, and identify components of salary which can best be used to attract management staff in 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 the appropriate adjustments; and
- review and submit to the Board the setting-up of share option schemes or long term incentive schemes.

There are appropriate and meaningful measures in place for the purpose of assessing the performance of Executive Directors and senior management personnel.

The RC has access to appropriate expert advice in the field of executive remuneration outside the Company if required.

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 performances.

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 the Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against 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.

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

The Company currently does not operate any share-based incentive schemes for employees.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Remuneration of Directors for the year ended 31 December 2011

Directors	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Contribution From Employer (%)	Total (%)
Above \$500,000						
Dato' Michael Loh Soon Gnee	2%	34%	53%	11%	0%	100%
Below \$250,000						
Mr Timothy Lim Boon Liat	14%	71%	6%	11%	4%	100%
Dr Kenneth Yu Keung Yum	100%	0%	0%	0%	0%	100%
Dato' Shaarani B. Ibrahim	100%	0%	0%	0%	0%	100%
Mr Mohd. Sopiyan B. Mohd. Rashdi	100%	0%	0%	0%	0%	100%
Mr Derek Loh Eu-Tse	100%	0%	0%	0%	0%	100%
Mr Teh Kim Seng	100%	0%	0%	0%	0%	100%

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 2011.

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

The Board is responsible for presenting 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.

Management provides the Board quarterly management accounts which present a balance and clear assessment of the Company's performance, position and prospects.

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

Audit Committee

The AC comprises three members, namely Mr Mohd. Sopiyan B. Mohd. Rashdi (Chairman), Dr Kenneth Yu Keung Yum and Dato' Shaarani B. Ibrahim. All the members of the AC are Non-Executive Directors, the majority of whom, including the Chairman, are independent.

The members of the AC have experience in managerial positions across banking, audit and finance industries. (See Directors' profile on page 5 and 6 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.

CORPORATE GOVERNANCE REPORT

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

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

1. reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
2. reviews with the internal auditors at least annually, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;
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 announcements 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 on their resignation or dismissal;
7. reviews and approves the appointment, replacement, re-assignment 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 annual report.

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

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

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 complied with Rules 712 and 716 of the SGX-ST Listing Manual.

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 annual 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. The AC also kept under constant review 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 Dragon Group's material internal controls, including financial, operational and compliance controls, and risk management systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and the review performed by Management and the AC, the Board, with the concurrence of the AC, is satisfied that the Group's framework of internal controls, including financial, operational & compliance controls, and risk management systems is adequate to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value. Nevertheless, the AC and the Board recognise that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

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 the Directors and key executives as set out on pages 5 to 7 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 100% of the Group's FY 2011 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, customers relocated where territories are not given, and/or customers transact directly with the 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 such as 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 its 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 36 (on page 54 of the Financial Statements in Appendix 2 of this annual report).

CORPORATE GOVERNANCE 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 (the Company's reporting currency) and the Singapore dollar, amongst others, expose the Company to foreign currency risk.

Dealings in the Company's Securities

The Company has devised and adopted an internal compliance code (the "Internal Code") to provide guidance to its officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times. The Internal Code complies with, and the Board confirms that for the financial year ended 31 December 2011, the Company has complied with, Rule 1207(19) of the SGX-ST 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 IPTs between an interested person and the Company, its subsidiaries or associated companies for the financial year ended 31 December 2011: .

Name of Interested Person	Aggregate value of all IPTs for FY 2011 under review (excluding transactions less than S\$100,000) US\$'000
Flexcomm Limited ⁽¹⁾	101
ASTI ⁽²⁾	399

(1) The IPT refers to the sales of goods to Flexcomm Limited, a company controlled by a director 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 Consultancy (Singapore) Pte Ltd (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 has met with the IA without the presence of Management.

The IA meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATION 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.

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 AC, the NC and the RC 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.

All minutes of general meetings and a summary of the questions and answers raised at general meetings are available to shareholders upon their requests.



APPENDIX 2

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2011

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

- 1 Directors' Report
- 4 Statement by the Directors
- 5 Independent Auditors' Report
- 6 Consolidated Income Statement
- 7 Consolidated Statement of
Comprehensive Income
- 8 Statements of Financial Position
- 10 Statements of Changes in Equity
- 14 Consolidated Cash Flow Statement
- 16 Notes to the Financial Statements

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 2011.

Directors of the Company

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

Dato' Michael Loh Soon Gnee
 Dr Kenneth Yu Keung Yum
 Mohd. Sopiyan B. Mohd. Rashdi (Appointed on 16 February 2011)
 Dato' Shaarani B. Ibrahim
 Timothy Lim Boon Liat

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 2012
<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
Timothy Lim Boon Liat			
- held in name of Spouse	99,000	99,000	99,000
<i>The Company</i>			
Ordinary shares			
Dato' Michael Loh Soon Gnee			
- deemed interest	172,579,302	-	-
Warrants			
Dato' Michael Loh Soon Gnee			
- deemed interest	138,063,442	-	-

DIRECTORS' REPORT

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

At the beginning of the year, Dato' Michael Loh Soon Gnee was deemed to be interested in the ordinary shares of the company and all the subsidiary companies by virtue of Section 7 of the Act because he held more than 20% equity interest in the holding company then. At the end of the year and as at 21 January 2012, Dato' Michael Loh Soon Gnee held less than 20% equity interest in the holding company and was not deemed to be interested in the ordinary shares of any of the subsidiaries of the 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

The Company

Dragon Group Executives' Share Option Scheme (the "ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 7 June 1996. During the year, no option was granted and the ESOS has expired on 15 July 2011.

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. Reviews the audit plans of the internal and external auditors of the Company and reviews 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. Reviews 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. Reviews 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. Meets 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. Reviews 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. Reviews the cost effectiveness and the independence and objectivity of the external auditors;
7. Reviews the nature and extent of non-audit services provided by the external auditors;
8. Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
9. Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
10. Reviews 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.

DIRECTORS' REPORT

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 2012

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 2011 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 2012

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2011

To the members of Dragon Group International Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dragon Group International Limited (the "Company") and its subsidiary companies (collectively the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, 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 information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the 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 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	Group	
		2011 US\$'000	2010 US\$'000
Revenue	5	252,824	216,350
Cost of sales		(231,033)	(196,646)
Gross profit		21,791	19,704
Other income	6	798	814
Selling and marketing costs		(10,758)	(9,163)
General and administrative costs		(8,222)	(8,605)
Finance costs	7	(2,133)	(2,169)
Exceptional items	8	(13)	(228)
Share of results of associated companies		–	(12)
Profit before taxation	9	1,463	341
Taxation	10	(656)	288
Profit for the year		807	629
Attributable to:			
Equity holders of the Company		853	663
Non-controlling interests		(46)	(34)
		807	629
Basic earnings per share (cents) (restated)	11	0.30	0.24
Diluted earnings per share (cents) (restated)	11	0.30	0.24

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 2011

	Note	Group 2011 US\$'000	Group 2010 US\$'000
Profit for the year		807	629
Other comprehensive income:			
Foreign currency translation		491	409
Realisation of reserve of disposal group previously classified as held for sale		–	439
Realisation of reserve of a subsidiary company on deregistration		(37)	–
Other comprehensive income for the year, net of tax		454	848
Total comprehensive income for the year		1,261	1,477
Total comprehensive income attributable to:			
Equity holders of the Company		1,134	1,379
Non-controlling interests		127	98
		1,261	1,477

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Note	Group		Company	
		2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
ASSETS					
Non-current assets					
Intangible assets	12	5,406	5,957	102	102
Property, plant and equipment	13	6,266	5,171	39	48
Investments in subsidiary companies	14	–	–	33,326	33,122
Investments in associated companies	15	–	–	–	–
Available-for-sale financial assets	16	737	750	706	706
Other financial assets	17	–	–	–	–
Amounts due from subsidiary companies	18	–	–	5,970	5,970
Deferred tax assets	19	257	281	–	–
		<u>12,666</u>	<u>12,159</u>	<u>40,143</u>	<u>39,948</u>
Current assets					
Stocks	20	25,368	20,773	–	–
Prepayments		337	467	29	31
Amounts due from subsidiary companies	18	–	–	1,006	1,632
Trade debtors	21	59,012	59,218	–	–
Other debtors	22	1,374	1,323	94	92
Tax recoverable		97	–	–	–
Cash and bank balances	23	20,762	23,943	341	3,840
		<u>106,950</u>	<u>105,724</u>	<u>1,470</u>	<u>5,595</u>
TOTAL ASSETS		119,616	117,883	41,613	45,543
EQUITY AND LIABILITIES					
Current liabilities					
Amounts due to bankers	24	46,519	44,957	–	–
Trade creditors and accruals	25	32,509	31,885	362	344
Other creditors	26	2,840	3,991	183	453
Amount due to holding company	27	33	412	33	412
Amounts due to subsidiary companies	28	–	–	15,367	15,699
Provision for taxation		273	226	11	20
		<u>82,174</u>	<u>81,471</u>	<u>15,956</u>	<u>16,928</u>
NET CURRENT ASSETS/(LIABILITIES)		24,776	24,253	(14,486)	(11,333)
Non-current liabilities					
Deferred tax liabilities	19	378	477	–	–
Long-term payables		473	369	–	–
		<u>851</u>	<u>846</u>	<u>–</u>	<u>–</u>
TOTAL LIABILITIES		83,025	82,317	15,956	16,928
NET ASSETS		36,591	35,566	25,657	28,615

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Note	Group		Company	
		2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Equity attributable to equity holders of the Company					
Share capital	29	54,928	54,928	54,928	54,928
Capital reserve	30	2,103	2,140	–	–
Other reserve		18	–	–	–
Foreign currency translation reserve	31	(5,651)	(5,969)	–	–
Accumulated losses		(18,831)	(19,684)	(29,271)	(26,313)
		32,567	31,415	25,657	28,615
Non-controlling interests		4,024	4,151	–	–
TOTAL EQUITY		36,591	35,566	25,657	28,615
TOTAL EQUITY AND LIABILITIES		119,616	117,883	41,613	45,543

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 2011

	Attributable to equity holders of the Company						Total equity US\$'000	
	Share capital (Note 29) US\$'000	Capital reserve (Note 30) US\$'000	Other reserve (Note 4c) US\$'000	Foreign currency translation reserve (Note 31) US\$'000	Accumulated losses US\$'000	Equity attributable to equity holders of the Company, total US\$'000		Non- controlling interests US\$'000
2011 Group								
At 1 January 2011	54,928	2,140	–	(5,969)	(19,684)	31,415	4,151	35,566
Profit/(loss) for the year	–	–	–	–	853	853	(46)	807
<u>Other comprehensive income</u>								
Foreign currency translation	–	–	–	318	–	318	173	491
Realisation of reserve of a subsidiary company on deregistration	–	(37)	–	–	–	(37)	–	(37)
Other comprehensive income for the year, net of tax	–	(37)	–	318	–	281	173	454
Total comprehensive income for the year	–	(37)	–	318	853	1,134	127	1,261
<u>Contributions by and distributions to equity holders</u>								
Dividend paid to non-controlling interests	–	–	–	–	–	–	(32)	(32)
Total transactions with equity holders in their capacity as equity holders	–	–	–	–	–	–	(32)	(32)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of non-controlling interests without a change in control	–	–	18	–	–	18	(222)	(204)
Total changes in ownership interests in subsidiaries	–	–	18	–	–	18	(222)	(204)
At 31 December 2011	54,928	2,103	18	(5,651)	(18,831)	32,567	4,024	36,591

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company						Non-controlling interests US\$'000	Total equity US\$'000
	Share capital (Note 29) US\$'000	Capital reserve (Note 30) US\$'000	Foreign currency translation reserve (Note 31) US\$'000	Accumulated losses US\$'000	Reserve of disposal group classified as held for sale (Note 4(d)) US\$'000	Equity attributable to equity holders of the Company, total US\$'000		
2010								
Group								
At 1 January 2010	41,844	2,140	(6,246)	(20,347)	(439)	16,952	4,156	21,108
Profit/(loss) for the year	-	-	-	663	-	663	(34)	629
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	277	-	-	277	132	409
Realisation of reserve of disposal group previously classified as held for sale	-	-	-	-	439	439	-	439
Other comprehensive income for the year, net of tax	-	-	277	-	439	716	132	848
Total comprehensive income for the year	-	-	277	663	439	1,379	98	1,477
<u>Contributions by and distributions to equity holders</u>								
Issuance of shares pursuant to Rights Issue	13,622	-	-	-	-	13,622	-	13,622
Share issuance expenses	(538)	-	-	-	-	(538)	-	(538)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(103)	(103)
Total transactions with equity holders in their capacity as equity holders	13,084	-	-	-	-	13,084	(103)	12,981
At 31 December 2010	54,928	2,140	(5,969)	(19,684)	-	31,415	4,151	35,566

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company		
	Share capital (Note 29) US\$'000	Accumulated losses US\$'000	Total equity US\$'000
2011			
Company			
At 1 January 2011	54,928	(26,313)	28,615
Loss for the year	–	(2,958)	(2,958)
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	(2,958)	(2,958)
At 31 December 2011	54,928	(29,271)	25,657

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company		
	Share capital (Note 29) US\$'000	Accumulated losses US\$'000	Total equity US\$'000
2010			
Company			
At 1 January 2010	41,844	(22,341)	19,503
Loss for the year	–	(3,972)	(3,972)
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	(3,972)	(3,972)
<u>Contributions by and distributions to equity holders</u>			
Issuance of shares pursuant to Rights Issue	13,622	–	13,622
Share issuance expenses	(538)	–	(538)
Total transactions with equity holders in their capacity as equity holders	13,084	–	13,084
At 31 December 2010	54,928	(26,313)	28,615

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 2011

	2011 US\$'000	2010 US\$'000
Cash flow from operating activities		
Operating profit before taxation	1,463	341
Adjustments for:		
Amortisation of intangible assets	700	673
Depreciation of property, plant and equipment	483	622
Gain on disposal of property, plant and equipment	(195)	(471)
Property, plant and equipment written off	–	26
Impairment of goodwill	–	1
Interest income	(102)	(85)
Interest expense	1,579	1,697
Share of results of associated companies	–	12
Impairment losses on available-for-sale financial assets	13	228
Impairment losses on property, plant and equipment	166	–
Gain on disposal of subsidiaries	–	(66)
Gain on deregistration of a subsidiary company	(37)	–
Operating cash flow before reinvestment in working capital	4,070	2,978
Increase in stocks	(4,595)	(3,360)
Decrease/(increase) in debtors	285	(8,327)
Decrease in creditors	(417)	(2,438)
Effects of exchange rates changes	290	120
Cash used in operations	(367)	(11,027)
Interest paid	(1,579)	(1,697)
Interest received	91	85
Tax paid	(781)	(768)
Net cash used in operating activities	(2,636)	(13,407)
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	211	476
Purchase of property, plant and equipment	(1,559)	(1,006)
Investment in an associated company	–	(3)
Project development expenditure	(149)	(27)
Proceeds from disposal of business, net of cash and cash equivalents disposed	–	540
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed (Note 4d)	–	3,924
Net cash (used in)/generated from investing activities	(1,497)	3,904

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	2011	2010
	US\$'000	US\$'000
Cash flow from financing activities		
Decrease in amount due to holding company	(379)	(5,169)
Repayment of lease creditors	–	(100)
Increase in amounts due to bankers	1,562	5,374
Repayment of from issue of convertible loans	–	(554)
Decrease/(increase) in fixed deposits pledged	1,408	(1,401)
Dividend paid to non-controlling interest	(32)	(103)
Acquisition of non-controlling interests (Note 4c)	(204)	–
Proceeds from issuance of shares pursuant to Rights Issue	–	13,622
Share issuance expenses	–	(538)
Net cash generated from financing activities	2,355	11,131
Net (decrease)/increase in cash and cash equivalents	(1,778)	1,628
Cash and cash equivalents at beginning of year	21,141	19,334
Effects of exchange rate changes on cash and cash equivalents	(6)	179
Cash and cash equivalents at end of year (Note 23)	19,357	21,141

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 relation to 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) 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").

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 Company. All values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013

Except for the Amendments to FRS 1, FRS 110 and revised FRS 27 and FRS 112, 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 Amendments to FRS 1, FRS 110 and revised FRS 27 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements

FRS 110 and the revised FRS 27 are effective for financial periods beginning on or after 1 January 2013.

FRS 110 establishes a single control model that applies to all entities (including special purpose entities). The changes introduced by FRS 110 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

The Group does not expect adoption of these standards to have material impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.2 Changes in accounting policies (cont'd)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

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, deferred tax assets and liabilities at 31 December 2011 was US\$273,000 (2010: US\$226,000), US\$257,000 (2010: US\$281,000) and US\$378,000 (2010: US\$477,000) 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.

(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 capitalised, 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\$220,000 (2010: US\$228,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.3 Significant accounting judgments and estimates (cont'd)

(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 2011 is US\$1,594,000 (2010: US\$2,134,000). 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 37 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.4 Foreign currency (cont'd)

(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.

In the case of a partial disposal without loss of control of a subsidiary company that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 Basis of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. 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 unrealised gains and losses resulting from intra-group transactions 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the equity holders of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.5 Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010 (cont'd)

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired 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 flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to equity holders of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Company.

Changes in the Company equity holders' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 over the associated company.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, investments in associated companies are carried 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 and is neither amortised nor tested individually for impairment. 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.

The profit or loss reflects the share of the results of operations of the associated companies. Where there has been a change recognised in other comprehensive income by the associated companies, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the interest in the associated companies.

The Group's share of the profit or loss of its associated companies is shown on the face of profit or loss after tax and non-controlling interests in the subsidiary companies of associated companies.

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 investments in its associated companies. The Group determines at each reporting period whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in profit or loss.

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. Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 *Intangible assets*

(a) *Goodwill*

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.9 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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 (b).

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.

(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.

The useful lives of intangible assets are assessed as either finite or indefinite.

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 (2010: 2 years).

(ii) Customer relationships

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

Customer relationships acquired are capitalised and amortised on a straight line basis over their useful life of 7.62 years. Customer relationships have an average remaining amortisation period of 3.62 years (2010: 4.62 years).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.9 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(iii) 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 22 years (2010: 23 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.

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.

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

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 asset is included in the income statement in the year the asset is derecognised.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Currently the group does not designate any financial assets as held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.11 Financial assets (cont'd)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Non-derivative 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.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently 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 and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured 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. Where necessary, allowance is provided for damaged, obsolete and slowing moving items to adjust the carrying value of stocks to the lower of cost and net realisable value. 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 at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

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) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.14 Impairment of assets (cont'd)

(a) Impairment of financial assets (cont'd)

(i) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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 flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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 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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) 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 flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.14 Impairment of assets (cont'd)

(b) Impairment of non-financial assets (cont'd)

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 inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.15 Financial liabilities

Financial liabilities are recognised 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.

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) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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 risks 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) Provision of services

Revenue from provision of services is recognised upon services rendered.

(c) Commission income

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

(d) Dividend income

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

(e) Interest income

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

2.19 Income taxes

(a) Current taxation

Current income tax assets and liabilities for the current and prior periods 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 end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(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:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.19 Income taxes (cont'd)

(b) Deferred taxation (cont'd)

- 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.

(c) Sales tax

Revenue, expenses and assets are recognised at 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

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. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.25 *Share capital and share issuance expenses*

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

2.26 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies :
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

3. Segment information

For management purpose, the Group has two (2010: three) main business segments that are organised and managed separately according to their respective business activities. The business segments are Electronics Distribution 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. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Financial information about business segments is presented as follows:

	Electronics Distribution		Semiconductor Test and Consumables		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	252,824	215,023	-	1,327	-	-	-	-	252,824	216,350
Segment Results										
Interest expense	6,809	6,660	-	270	(2,263)	(1,987)	(132)	(1,387)	4,414	3,557
Depreciation	(1,600)	(1,612)	-	(21)	(511)	(648)	532	584	(1,579)	(1,697)
Amortisation	(471)	(616)	-	-	(12)	(6)	-	-	(483)	(622)
Write back of (allowance for) doubtful trade debts	(700)	(673)	-	-	-	-	-	-	(700)	(673)
Impairment losses on available-for-sale financial assets	348	17	-	-	(177)	(1,103)	(181)	1,103	(10)	17
Impairment losses on property, plant and equipment	(13)	-	-	-	-	(228)	-	-	(13)	(228)
Share of results of associated companies	(166)	-	-	-	-	-	-	-	(166)	-
	-	(12)	-	-	-	-	-	-	-	(12)
Profit/(Loss) before taxation	4,207	3,764	-	249	(2,963)	(3,972)	219	300	1,463	341
Taxation									(656)	288
Profit for the year									807	629

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

3. Segment information (cont'd)

	Electronics Distribution		Semiconductor Test and Consumables		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	1,705	981	-	-	3	52	-	-	1,708	1,033
Segment assets	166,652	163,561	-	1,295	41,614	45,544	(89,004)	(92,798)	119,262	117,602
Unallocated assets									354	281
Total assets									119,616	117,883
Segment liabilities	107,586	110,035	-	289	15,945	16,910	(41,157)	(45,620)	82,374	81,614
Unallocated liabilities									651	703
Total liabilities									83,025	82,317

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, deferred tax assets and tax recoverable. Segment liabilities comprise mainly operating liabilities and exclude taxation liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Singapore	27,560	33,328	595	801
Malaysia	16,968	12,423	57	55
Philippines	617	3,152	–	–
Thailand	4,070	3,011	–	–
Indonesia	2,162	1,409	–	–
India	10,404	10,076	–	–
China	172,612	138,531	5,646	4,386
Hong Kong	4,931	2,560	4,504	5,871
Taiwan	441	–	–	–
Korea	7,303	11,860	13	15
United Kingdom	4,117	–	–	–
Others	1,639	–	857	–
	252,824	216,350	11,672	11,128

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\$74,011,000 (2010: US\$65,301,000), arising from sale by the electronics distribution segment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

4. Group companies

(a) The significant subsidiary companies as at 31 December 2011 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2011 %	2010 %
<i>Held by the Company</i>			
*** DTB Limited (Hong Kong)	Investment holding (Hong Kong)	100	100
* Spire Technologies Pte Ltd (Singapore)	Importing, exporting, retailing and trading in electronic components and test consumables (Singapore)	100	80
* Dragon Technology Distribution Pte Ltd (Singapore)	Sale, distribution and acting as commission agent in electronic components (Singapore)	100	100
<i>Held by subsidiary companies:</i>			
<i>Held by DTB Limited</i>			
*** 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
<i>Held by Dragon Technology Distribution Pte Ltd</i>			
* 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
** Dragon Technology Distribution 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
* Sooner Technology Pte Ltd (Singapore)	Trading in electronic components, computer peripherals and acting as commission agent (Singapore)	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

4. Group companies (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2011 %	2010 %
Held by subsidiary companies: (cont'd)			
Held by FE-Decibels Electronics Pte Ltd			
*** Dragon Technology Distribution Private Limited (India)	Sale, distribution and acting as commission agent in electronic components (India)	70	70
Held by FE Global (North Asia) Limited			
** Dragon Technology Distribution (HK) Limited (Hong Kong)	Providing research and development services (Hong Kong)	100	100
** FE Global Hong Kong Limited (Hong Kong)	Sale, distribution and acting as commission agent in electronic components (Hong Kong)	100	100
** Flex-In Electronics Limited (Hong Kong)	Trading of electronics components (Hong Kong)	100	100
Held by Dragon Technology Distribution (HK) Limited			
*** Dragon Trading (Shanghai) Co., Ltd (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 2011 are as follows:

Held by Dragon Technology Distribution Pte Ltd

*** Dragon Technology Distribution (Thailand) Co., Ltd	Sale, distribution and acting as commission agent in electronic components (Thailand)	49	49
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* Audited by Ernst & Young LLP, Singapore.

** Audited by member firms of Ernst & Young Global.

*** Audited by other Certified Public Accounting firms:

Company

Dragon Technology Distribution Private Limited
 Dragon Technology Distribution (Thailand) Co., Ltd
 FE Global Electronics Korea Ltd
 DTB Limited
 Nanjing DTB Development Co., Ltd
 Dragon Trading (Shanghai) Co., Ltd

Certified Public Accounting firm

N. Madhu Sai Sankaram, India
 Kmet Consultant, Thailand
 The 106th Audit Team, Korea
 Y.K Leung & Co., Hong Kong
 Jiangsu Yonghe Certified Public Accountant Co., Ltd
 Shanghai Hua Xia Certified Public Accountant Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

4. Group companies (cont'd)

(c) Acquisition of non-controlling interests

On 1 October 2011, the Company acquired an additional 20% equity interest in Spire Technologies Pte Ltd ("Spire Technologies") from its non-controlling interests for a cash consideration of US\$204,000. As a result of this acquisition, Spire Technologies became a wholly-owned subsidiary of the Company. The carrying value of the net assets of Spire Technologies and its subsidiary companies (collectively the "Spire Group") was US\$1,110,000 and the carrying value of the additional interest acquired was US\$222,000. The difference of US\$18,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Other Reserve" within equity.

The following summarises the effect of the change in the Company's ownership interest in Spire Group on the equity attributable to equity holders of the Company:

	US\$'000
Consideration paid for acquisition of non-controlling interests	204
Decrease in equity attributable to non-controlling interests	<u>(222)</u>
Increase in equity attributable to equity holders of the Company	<u>(18)</u>

(d) Disposal group previously 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 were 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.

The values of assets and liabilities of the disposal group and the related foreign currency translation reserve at the date of disposal, and the cash flow effect of the disposal were:

	Group 2010 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	<u>9,398</u>
Liabilities	
Amounts due to bankers	1,397
Trade creditors and accruals	1,776
Other creditors	53
Total liabilities	<u>3,226</u>
Carrying value of net assets disposed	6,172
Less: Sale consideration	<u>(6,677)</u>
	(505)
Realisation of reserve of disposal group classified as held for sale in prior year	<u>439</u>
Gain on disposal of subsidiaries	<u>(66)</u>
Total sale consideration	6,677
Less: Cash and cash equivalents of disposal group	(1,964)
Less: Deposit received	(789)
Net cash inflow	<u>3,924</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

5. Revenue

	Group	
	2011	2010
	US\$'000	US\$'000
Revenue is analysed as follows:		
Sale of goods	245,948	212,594
Provision of services	–	236
Commission income	6,876	3,520
	252,824	216,350

6. Other income

	Group	
	2011	2010
	US\$'000	US\$'000
The following items have been included in arriving at other income:		
Interest income		
- Fixed deposits and current accounts	102	85
Grant income from jobs credit scheme	–	102
Trade payables written off	41	51
Gain on disposal of property, plant and equipment	195	471
	348	659

7. Finance costs

	Group	
	2011	2010
	US\$'000	US\$'000
Finance costs are analysed as follows:		
Interest expense in respect of:		
Bank term loans	785	876
Trade finance	794	662
Amount due to holding company	–	143
Lease creditors	–	16
	1,579	1,697
Bank charges	554	472
	2,133	2,169

8. Exceptional items

	Group	
	2011	2010
	US\$'000	US\$'000
Exceptional items are analysed as follows:		
Impairment losses on available-for-sale financial assets	13	228
	13	228

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

9. Profit before taxation

	Group	
	2011 US\$'000	2010 US\$'000
The following items have been included in arriving at profit before taxation:		
Amortisation of intangible assets	700	673
Depreciation of property, plant and equipment	483	622
Foreign exchange (gain)/loss	(76)	96
Impairment losses on property, plant and equipment	166	–
Staff costs		
- Contributions to national pension schemes	969	567
- Salaries, wages, bonuses and other costs	9,924	9,297
Trade debts written (back)/off	(4)	95
Allowance for/(write back of) doubtful trade debts	109	(17)
Stocks written down	349	–
Reversal of write-down of stocks	(305)	(1,124)
Rental expenses	1,359	1,241
Legal and professional fees	316	466
Audit fees ¹		
- Auditors of the Company	172	160
- Other auditors	221	141
Management fees	399	621

¹No non-audit fees have been paid to the auditors during the year.

10. Taxation

	Group	
	2011 US\$'000	2010 US\$'000
The major components of income tax expense/(credit) for the years ended 31 December 2011 and 2010 are:		
Current taxation		
- Singapore	219	111
- Other countries	562	443
Deferred taxation		
- Singapore	24	(281)
- Other countries	(99)	(105)
	706	168
Over provision in respect of prior years		
- Current taxation	(50)	(384)
- Deferred taxation	–	(72)
	(50)	(456)
	656	(288)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

10. Taxation (cont'd)

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

	Group	
	2011 %	2010 %
Domestic statutory tax rate	17.0	17.0
Tax effect of:		
Income not subject to taxation	(17.8)	(92.1)
Expenses not deductible for tax purposes	74.2	302.1
Effect of tax exemption	(16.1)	(27.1)
Over-provision of taxation in respect of prior years	(3.4)	(133.7)
Utilisation of losses brought forward	(16.2)	(105.5)
Different tax rates of other countries	(1.5)	(12.0)
Deferred tax assets not recognised	8.4	55.6
Deferred tax assets previously not recognised	–	(82.4)
Others	0.2	(6.4)
Effective tax rate	<u>44.8</u>	<u>(84.5)</u>

The Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately US\$13,031,000 (2010: US\$13,375,000) and US\$335,000 (2010: US\$332,000) 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\$4,014,000 (2010: US\$4,089,000), 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.

11. Earnings per share

Basic earnings per share amounts are calculated by dividing the net earnings 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 earnings per share amounts are calculated by dividing the net earnings 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.

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

	Group	
	2011 US\$'000	2010 US\$'000 (Restated)
Net profit attributable to ordinary equity holders of the Company used in the computation of basic and diluted earnings per share	853	663
	<u>'000</u>	<u>'000</u>
Weighted average number of ordinary shares in issue applicable to basic and diluted earnings per share	280,102	280,102

224,081,000 warrants that were issued in the Rights Issue and Share Consolidation exercise in December 2010 have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

12. Intangible assets

Group	Project development expenditure ^(a) US\$'000	Goodwill ^(b) US\$'000	Customer relationships ^(c) US\$'000	Club memberships ^(c) US\$'000	Total US\$'000
Cost					
At 1 January 2010	803	4,607	4,115	262	9,787
Additions	27	-	-	-	27
Write off	(473)	(1)	-	-	(474)
Currency realignment	37	-	-	-	37
At 31 December 2010 and 1 January 2011	394	4,606	4,115	262	9,377
Additions	149	-	-	-	149
At 31 December 2011	543	4,606	4,115	262	9,526
Accumulated amortisation and impairment					
At 1 January 2010	472	1,210	1,441	60	3,183
Amortisation	130	-	540	3	673
Write off	(473)	-	-	-	(473)
Currency realignment	37	-	-	-	37
At 31 December 2010 and 1 January 2011	166	1,210	1,981	63	3,420
Amortisation	157	-	540	3	700
At 31 December 2011	323	1,210	2,521	66	4,120
Net carrying amount					
At 31 December 2010	220	3,396	1,594	196	5,406
At 31 December 2011	228	3,396	2,134	199	5,957

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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) 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"). 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 three-year period. The pre-tax discount rates applied to the cash flow projections ranges from 7.7% to 12.6% (2010: from 8.7 to 12.6%) 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.

- (c) 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	
	2011 US\$'000	2010 US\$'000
Club memberships	102	102

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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 ^(a) US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost							
At 1 January 2010	1,931	1,908	13,279	4,983	1,568	348	24,017
Additions	–	10	–	153	749	94	1,006
Disposals/write offs	–	(526)	(2,835)	(199)	–	(189)	(3,749)
Currency realignment	59	67	963	83	50	15	1,237
At 31 December 2010 and 1 January 2011	1,990	1,459	11,407	5,020	2,367	268	22,511
Additions	–	41	3	224	1,291	–	1,559
Disposals/write offs	–	(517)	(11,455)	(515)	–	–	(12,487)
Transfer	372	–	–	–	(372)	–	–
Currency realignment	95	21	384	11	113	8	632
At 31 December 2011	2,457	1,004	339	4,740	3,399	276	12,215
Accumulated depreciation and impairment							
At 1 January 2010	195	1,673	13,092	4,097	–	269	19,326
Charge for the year	93	84	23	390	–	32	622
Disposals/write offs	–	(501)	(2,835)	(193)	–	(189)	(3,718)
Currency realignment	8	61	956	74	–	11	1,110
At 31 December 2010 and 1 January 2011	296	1,317	11,236	4,368	–	123	17,340
Charge for the year	166	55	25	200	–	37	483
Disposals/write offs	–	(507)	(11,455)	(509)	–	–	(12,471)
Impairment losses	–	–	–	166	–	–	166
Currency realignment	18	18	377	10	–	8	431
At 31 December 2011	480	883	183	4,235	–	168	5,949
Net carrying amount							
At 31 December 2011	1,977	121	156	505	3,399	108	6,266
At 31 December 2010	1,694	142	171	652	2,367	145	5,171

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

Company	Office equipment US\$'000	Motor vehicle US\$'000	Total US\$'000
Cost			
At 1 January 2010	44	–	44
Additions	5	47	52
At 31 December 2010 and 1 January 2011	49	47	96
Additions	2	–	2
At 31 December 2011	51	47	98
Accumulated depreciation and impairment			
At 1 January 2010	42	–	42
Charge for the year	3	3	6
At 31 December 2010 and 1 January 2011	45	3	48
Charge for the year	2	9	11
At 31 December 2011	47	12	59
Net carrying amount			
At 31 December 2011	4	35	39
At 31 December 2010	4	44	48

(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 three-year period with 2014 being the terminal year. The construction of the vessel is targeted for completion in third quarter 2013 and revenue generating activities will start in the same quarter. 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.

14. Investments in subsidiary companies

	Company	
	2011 US\$'000	2010 US\$'000
Unquoted shares, at cost	35,856	35,652
Allowance for impairment	(2,530)	(2,530)
Carrying amount of investments	33,326	33,122
Movement in allowance account:		
At 1 January	2,530	2,762
Write off for the year	–	(232)
At 31 December	2,530	2,530

As at 31 December 2010, the Company wrote off allowance of US\$232,000 made on the investment in Rockford Technology Pte Ltd, as the subsidiary company was deregistered in the prior year.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

15. Investments in associated companies

	Group	
	2011 US\$'000	2010 US\$'000
Unquoted shares, at cost	78	78
Share of post-acquisition losses	(78)	(78)
	–	–

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	
	2011 US\$'000	2010 US\$'000
Assets and liabilities:		
Current assets	688	698
Non-current assets	100	107
Total assets	788	805
Current liabilities	621	526
Non-current liabilities	304	317
Total liabilities	925	843
Results:		
Revenue	171	137
Loss for the year	(107)	(74)

The Group's share of associated companies' losses for the financial year 2010 amounted to US\$36,000, of which only US\$12,000 was recognised by the Group. The remaining losses of US\$24,000 were not recognised as they exceeded the Group's interests in the associated companies. The Group has no obligation in respect of the losses not recognised.

16. Available-for-sale financial assets

	Group		Company	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Unquoted equity shares, at cost	12,636	12,636	6,746	6,746
Allowance for impairment	(11,931)	(11,931)	(6,040)	(6,040)
	705	705	706	706
Quoted equity shares in corporations, at fair value	32	45	–	–
	737	750	706	706
Movement in allowance account:				
At 1 January	11,931	11,659	6,040	5,812
Charge for the year	–	228	–	228
Exchange differences	–	44	–	–
At 31 December	11,931	11,931	6,040	6,040

NOTES TO FINANCIAL STATEMENTS

31 December 2011

16. Available-for-sale financial assets (cont'd)

As at 31 December 2010, the Group and the Company recognised an impairment loss of US\$228,000 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 loss was included in the "Exceptional items" in the consolidated income statement.

17. Other financial assets

	Group and Company	
	2011	2010
	US\$'000	US\$'000
Loan to external party – nominal amounts	1,755	1,755
Allowance for impairment	(1,755)	(1,755)
	<u>–</u>	<u>–</u>

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 2011 amounted to US\$1,755,000 (2010: US\$1,755,000). The loan is structured as follows:

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

In 2009, the Group and the Company recognised an impairment loss of US\$1,755,000 on the loan to DAM as a result of the deteriorating financial results and financial position of DAM. Management is of the opinion that DAM continues to be unable to repay the loan in the near future.

18. Amounts due from subsidiary companies

	Company	
	2011	2010
	US\$'000	US\$'000
Amounts due from subsidiary companies	11,319	11,782
Allowance for impairment	(4,343)	(4,180)
	<u>6,976</u>	<u>7,602</u>
Disclosure in statement of financial position		
Non-current (quasi-equity)	5,970	5,970
Current	1,006	1,632
	<u>6,976</u>	<u>7,602</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2011

18. Amounts due from subsidiary companies (cont'd)

	Company	
	2011 US\$'000	2010 US\$'000
Movement in allowance account:		
At 1 January	4,180	3,475
Charge for the year	163	705
At 31 December	4,343	4,180

The amounts due from subsidiary companies are non-trade in nature, unsecured and are 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 and repayable only when the cash flow of these companies permit.

During the financial year, the Company recognised an impairment loss of US\$163,000 (2010: US\$705,000) on the amounts due from subsidiary companies as a result of the deteriorating financial results and financial positions of the subsidiary companies.

19. Deferred taxation

	Group	
	2011 US\$'000	2010 US\$'000
Deferred tax assets:		
Provisions	268	320
Differences in depreciation for tax purpose	(11)	(39)
	257	281
Deferred tax liabilities:		
Differences in depreciation for tax purpose	(19)	(19)
Amortisation of intangible assets	(359)	(458)
	(378)	(477)

20. Stocks

	Group	
	2011 US\$'000	2010 US\$'000
Statement of financial position		
Raw materials	1,536	575
Finished goods	23,832	20,198
	25,368	20,773
Income statement		
Stocks recognised as an expenses in cost of sales	229,247	195,263
Inclusive of the following charge/(credit):		
- Stocks written-down	349	-
- Reversal of write-down of stocks	(305)	(1,124)

The reversal of write-down of stocks was made when the related stocks were sold above their carrying amounts in 2010.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

21. Trade debtors

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

At 31 December 2011, trade debtors arising from export sales which were arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based was US\$2,054,000 (2010: US\$3,499,000).

(a) Trade debtors aging

	Group 2011			Group 2010		
	Gross US\$'000	Allowance US\$'000	Net US\$'000	Gross US\$'000	Allowance US\$'000	Net US\$'000
Not past due	39,990	—	39,990	47,963	—	47,963
Less than 30 days	14,427	—	14,427	8,928	—	8,928
30 to 60 days	3,196	—	3,196	649	—	649
61 to 90 days	697	—	697	349	—	349
More than 90 days	5,611	(4,909)	702	6,621	(5,292)	1,329
	<u>63,921</u>	<u>(4,909)</u>	<u>59,012</u>	<u>64,510</u>	<u>(5,292)</u>	<u>59,218</u>

(b) Analysis of allowance for doubtful trade debts

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

	Group	
	2011 US\$'000	2010 US\$'000
Movement in allowance account:		
At 1 January	5,292	5,348
Charge/(write back) for the year	109	(17)
Written off	(496)	(44)
Exchange differences	4	5
At 31 December	<u>4,909</u>	<u>5,292</u>

(c) Trade debtors that are impaired

Trade debtors that were individually determined to be impaired at 31 December 2011 were related to debtors that were in significant financial difficulties and have defaulted on payments.

As at 31 December 2010, included in these trade debtors was US\$1,780,000 before deducting allowance of US\$482,000 which was not fully impaired as it was covered by an undertaking by a former director to indemnify the Group for this debt by way of his shares in ASTI. During the financial years ended 31 December 2010 and 2008, the shares were sold to independent third parties for a total consideration of US\$1,298,000. As at 31 December 2011, the liquidation process of this trade debtor was completed and the debt was deemed uncollectible. The payables due to the former director from the sale of ASTI shares has been set off against the receivables from this debtor (Note 26).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

22. Other debtors

	Group		Company	
	2011 US\$' 000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Deposits	401	362	12	11
Interest receivable	579	832	–	–
Staff loans	–	3	–	–
Due from an associated company	583	432	–	–
Due from a related party	33	–	–	–
Sundry debtors	372	542	98	97
	1,968	2,171	110	108
Allowance for doubtful debts	(594)	(848)	(16)	(16)
	1,374	1,323	94	92

The interest receivable mainly relates to interest on outstanding trade receivables.

The amounts due from an associated company and a related party are unsecured, non-interest bearing and repayable upon demand in cash.

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

	Group		Company	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Movement in allowance account:				
At 1 January	848	894	16	62
Write back for the year	–	(46)	–	(46)
Written off	(254)	–	–	–
At 31 December	594	848	16	16

Other debtors denominated in foreign currencies at 31 December are as follows:

	Group	
	2011 US\$'000	2010 US\$'000
- US dollars	43	121
- Renminbi	124	38

23. Cash and bank balances

	Group		Company	
	2011 US\$' 000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Cash at bank and on hand	14,044	17,838	–	2,440
Fixed deposits	6,718	6,105	341	1,400
	20,762	23,943	341	3,840

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

During the financial year, fixed deposits of US\$1,405,000 (2010: US\$2,802,000) were pledged to secure banking facilities granted to a subsidiary company. Fixed deposits of the Group with financial institutions mature within 1 to 3 months (2010: 1 to 2 months) from the financial year end. Interest rate for the Group range from 0.05% to 1.20% (2010: 0.10% to 0.94%) per annum.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

23. Cash and bank balances (cont'd)

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

	2011 US\$'000	2010 US\$'000
Cash and bank balances	20,762	23,943
Less: Pledged fixed deposits	(1,405)	(2,802)
Cash and cash equivalents	<u>19,357</u>	<u>21,141</u>

Cash and bank balances denominated in foreign currencies at 31 December are as follows:

	Group	
	2011 US\$'000	2010 US\$'000
- US dollars	10,510	8,029
- Singapore dollars	667	7,040
- Renminbi	843	—
- Japanese Yen	<u>445</u>	<u>207</u>

24. Amounts due to bankers

The amounts due to bankers bear interest at 2.2% to 4.4% (2010: 2% to 4.54%) per annum and are repayable on monthly and quarterly basis ending in 2012 (2010: 2011).

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

25. Trade creditors and accruals

	Group		Company	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Trade creditors	29,734	29,796	—	—
Accruals	<u>2,775</u>	<u>2,089</u>	<u>362</u>	<u>344</u>
	32,509	31,885	362	344

Trade creditors are non-interest bearing and are normally settled on 30 to 45 day terms.

26. Other creditors

	Group		Company	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Proposed Directors' fees	149	146	149	146
Deposits received	88	275	—	—
Sundry creditors	1,867	3,191	20	307
Due to a related party	27	29	14	—
Prepayments by customers	<u>709</u>	<u>350</u>	<u>—</u>	<u>—</u>
	2,840	3,991	183	453

The proposed directors' fees, amount due to a related party and sundry creditors are unsecured, interest free and repayable on demand in cash.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

26. Other creditors (cont'd)

As at 31 December 2010, included in sundry creditors is US\$1,298,000 which relates to shares sold to independent third parties as indemnity for a trade debtor. As at 31 December 2011, the amount has been set off against trade debtors. (Note 21).

Other creditors denominated in foreign currencies at 31 December are as follows:

	Group	
	2011 US\$'000	2010 US\$'000
- US dollars	1,025	1,631
- Singapore dollars	228	816

27. Amount due to holding company

The amount due to holding company is non-trade in nature, non-interest bearing and unsecured. The amount is repayable on demand in cash.

28. Amounts due to subsidiary companies

The amounts due to subsidiary companies are non-trade in nature and unsecured. The amounts are repayable on demand in cash.

The amounts are interest-free, except for US\$11,109,000 (2010: US\$11,267,000) for which interest was charged at 4.5% (2010: 4.5%) per annum.

29. Share capital

	Group and Company	
	2011 US\$'000	2010 US\$'000
Issued and fully paid		
At 1 January	54,928	41,844
Issuance of shares pursuant to Rights Issue	—	13,622
Share issuance expenses	—	(538)
At 31 December	54,928	54,928

	Group and Company	
	2011 No. of shares '000	2010 No. of shares '000
Issued and fully paid		
At 1 January	280,102	224,081
Add: Rights Shares issued	—	896,326
Total number of issued shares after the Rights Issue	280,102	1,120,407
Total number of issued shares after the Rights Issue and Share Consolidation of 4 ordinary shares into 1 ordinary share in the prior year	280,102	280,102
Less: Unsold fractional shares	—	— #
At 31 December	280,102	280,102

denotes amount less than 1,000

NOTES TO FINANCIAL STATEMENTS

31 December 2011

29. Share capital (cont'd)

Rights Issue and Share Consolidation

On 10 December 2010, the Company allotted and issued 896,325,824 Rights Shares and 896,325,824 Warrants. On 13 December 2010, the Company consolidated every four (4) existing ordinary shares of the Company into one (1) share and every four (4) existing Warrants of the Company into one (1) Warrant.

As at 31 December 2010, the Company has utilised US\$6,716,000 (S\$8,711,000) and US\$4,626,000 (S\$6,000,000) of the net proceeds from the Rights Issue to repay loan balances owing to the holding company and fund its subsidiary company for purposes of its general working capital respectively.

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 restrictions. The ordinary shares have no par value.

30. Capital reserve

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

31. 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.

32. Contingent liabilities

	Company	
	2011 US\$'000	2010 US\$'000
Contingent liabilities not provided for in the financial statements:		
- Corporate guarantees given to secure banking facilities for subsidiary companies	46,518	44,179
- Corporate guarantees given to secure supply of goods for subsidiary companies	10,059	2,306
	56,577	46,485

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 (2010: 1 year), except for corporate guarantee of US\$632,000 (2010: US\$436,000) given to secure banking facilities of a subsidiary company for which the contractual expiry by maturity is between 1 to 3 years (2010: 1 to 4 years).

33. 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	
	2011 US\$'000	2010 US\$'000
Not later than one year	824	723
Later than one year but not later than five years	391	466
	1,215	1,189

NOTES TO FINANCIAL STATEMENTS

31 December 2011

33. Operating lease commitments (cont'd)

Rental expenses (principally for premises, machinery and equipment and internet lease lines) were US\$1,359,000 (2010: US\$1,241,000).

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 (2010: 1 to 3 years) and at rental rates based on negotiations and prevailing market rates.

34. Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2011 US\$'000	2010 US\$'000
Capital commitments in respect of property, plant and equipment	142	–

35. Related party transactions

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	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Holding company				
Management fee expense	399	365	399	365
Interest expense	–	143	–	20
Related companies				
Sales	101	171	–	–
Purchases	45	62	–	–
Subsidiary companies				
Management fee income	–	–	12	–
Interest expense	–	–	511	584
Associated companies				
Commission expense	99	90	–	–
Other related parties				
Technical services fee ⁽¹⁾	–	256	–	–
Commission expense ⁽²⁾	–	6	–	–
Sales ⁽³⁾	101	171	–	–

NOTES TO FINANCIAL STATEMENTS

31 December 2011

35. Related party transactions (cont'd)

(a) Sale and purchase of goods and services (cont'd)

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.
- (3) Sales to a director-related company pertained to sales of goods.

(b) Compensation of key management personnel

	Group	
	2011 US\$'000	2010 US\$'000
Short-term employee benefits	1,641	1,477
Defined contribution benefits	20	21
Other short-term benefits	158	192
	1,819	1,690
Comprise amounts paid to:		
Directors of the Company	1,096	942
Other key management personnel	723	748
	1,819	1,690

At 1 January and 31 December 2011, 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 2011, no share options have been granted to the Company's Directors.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At 31 December 2011, if USD interest rates had been 75 (2010: 75) basis points lower/higher with all other variables held constant, the Group's and the Company's profit net of tax would have been US\$291,000 (2010: US\$281,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

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

(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.

Analysis of financial instruments by remaining contractual maturities

The following table 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

(b) Liquidity risk (cont'd)

2011	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	–	–	737	737
Trade debtors	59,012	–	–	59,012
Other debtors	1,374	–	–	1,374
Cash and bank balances	20,762	–	–	20,762
Total undiscounted financial assets	81,148	–	737	81,885
Financial liabilities				
Amounts due to bankers	46,457	292	–	46,749
Trade creditors and accruals	32,509	–	–	32,509
Other creditors	2,840	–	–	2,840
Amount due to holding company	33	–	–	33
Total undiscounted financial liabilities	81,839	292	–	82,131
Total net undiscounted financial (liabilities)/assets	(691)	(292)	737	(246)
Company				
Financial assets				
Available-for-sale financial assets	–	–	706	706
Amounts due from subsidiary companies	1,006	–	5,970	6,976
Other debtors	94	–	–	94
Cash and bank balances	341	–	–	341
Total undiscounted financial assets	1,441	–	6,676	8,117
Financial liabilities				
Trade creditors and accruals	362	–	–	362
Other creditors	183	–	–	183
Amount due to holding company	33	–	–	33
Amounts due to subsidiary companies	15,367	–	–	15,367
Total undiscounted financial liabilities	15,945	–	–	15,945
Total net undiscounted financial (liabilities)/assets	(14,504)	–	6,676	(7,828)

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

(b) Liquidity risk (cont'd)

2010	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	–	–	750	750
Trade debtors	59,218	–	–	59,218
Other debtors	1,323	–	–	1,323
Cash and bank balances	23,943	–	–	23,943
Total undiscounted financial assets	84,484	–	750	85,234
Financial liabilities				
Amounts due to bankers	44,730	458	–	45,188
Trade creditors and accruals	31,885	–	–	31,885
Other creditors	3,991	–	–	3,991
Amount due to holding company	412	–	–	412
Total undiscounted financial liabilities	81,018	458	–	81,476
Total net undiscounted financial assets/(liabilities)	3,466	(458)	750	3,758
Company				
Financial assets				
Available-for-sale financial assets	–	–	706	706
Amounts due from subsidiary companies	1,632	–	5,970	7,602
Other debtors	92	–	–	92
Cash and bank balances	3,840	–	–	3,840
Total undiscounted financial assets	5,564	–	6,676	12,240
Financial liabilities				
Trade creditors and accruals	344	–	–	344
Other creditors	453	–	–	453
Amount due to holding company	412	–	–	412
Amounts due to subsidiary companies	15,699	–	–	15,699
Total undiscounted financial liabilities	16,908	–	–	16,908
Total net undiscounted financial (liabilities)/assets	(11,344)	–	6,676	(4,668)

The contractual expiry by maturity of the Company's contingent liabilities is disclosed in Note 32.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

36. 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 21.

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			
	2011		2010	
	US\$'000	% of total	US\$'000	% of total
People's Republic of China	47,210	80%	46,772	79%
Singapore	2,855	5%	3,836	6%
Malaysia	2,664	5%	3,689	6%
India	3,322	5%	1,589	3%
Thailand	1,083	2%	1,102	2%
Korea	437	1%	965	2%
Others	1,441	2%	1,265	2%
	59,012	100%	59,218	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 32).

At the date of statement of financial position, approximately 65% (2010: 62%) of the Group's trade debtors are due from 5 (2010: 5) major customers in the Group. Almost all of the Company's receivables were balances with subsidiary companies.

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 21.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

36. 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 to 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 profit 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	
		2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
USD	Strengthened by 3 % (2010: 5%)	+232	-423	-	-
	Weakened by 3% (2010: 5%)	-232	+423	-	-
Ringgit	Strengthened by 3% (2010: 5%)	-	+120	-	+120
	Weakened by 3% (2010: 5%)	-	-120	-	-120

37. Financial Instruments

(a) Categories of financial instruments

	Note	Group		Company	
		2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Loans and receivables					
Amounts due from subsidiary companies	18	-	-	6,976	7,602
Trade debtors	21	59,012	59,218	-	-
Other debtors	22	1,374	1,323	94	92
Cash and bank balances	23	20,762	23,943	341	3,840
		<u>81,148</u>	<u>84,484</u>	<u>7,411</u>	<u>11,534</u>
Financial liabilities measured at amortised cost					
Amounts due to bankers	24	46,519	44,957	-	-
Trade creditors and accruals	25	32,509	31,885	362	344
Other creditors	26	2,840	3,991	183	453
Amount due to holding company	27	33	412	33	412
Amounts due to subsidiary companies	28	-	-	15,367	15,699
		<u>81,901</u>	<u>81,245</u>	<u>15,945</u>	<u>16,908</u>
Available-for-sale financial assets	16	<u>737</u>	<u>750</u>	<u>706</u>	<u>706</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2011

37. Financial Instruments (Cont'd)

(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, trade creditors and accruals and other creditors, amounts due from/(to) subsidiary companies (current) and holding company

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. The Group does not intend to dispose of these investments in the foreseeable future.

(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.

38. 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 manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. During the financial year ended 31 December 2010, the Company allotted and issued rights shares and warrants. Further details are given in Note 29.

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 and amounts due to financial institutions, less cash and cash equivalents. Total capital includes equity attributable to equity holders of the Company. As at 31 December 2011, the gearing ratio of the Group is 45% (2010: 43%).

	Note	Group	
		2011 US\$'000	2010 US\$'000
Loans and borrowings			
Amounts due to bankers	24	46,519	44,957
Less: Cash and cash equivalents		(19,357)	(21,141)
Net debt		27,162	23,816
Equity attributable to equity holders of the Company		32,567	31,415
Capital and net debt		59,729	55,231
Gearing ratio		45%	43%

No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

39. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 30 March 2012.



APPENDIX 3

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2011

STATISTICS OF SHAREHOLDINGS

Statistics of Shareholdings

As at 21 March 2012

Number of equity securities	:	280,101,783
Number of treasury shares	:	Nil
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 999	1,722	47.50	660,733	0.24
1,000 - 10,000	1,300	35.86	3,899,397	1.39
10,001 - 1,000,000	585	16.14	45,830,265	16.36
1,000,001 and above	18	0.50	229,711,388	82.01
Total :	3,625	100.00	280,101,783	100.00

TWENTY LARGEST SHAREHOLDERS

NO	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1	ASTI Holdings Limited	172,579,302	61.61
2	DB Nominees (Singapore) Pte Ltd	8,753,900	3.13
3	Maybank Kim Eng Securities Pte Ltd	6,529,000	2.33
4	Ramesh s/o Pritamdas Chandiramani	6,200,000	2.21
5	Lim Chye Huat @ Bobby Lim Chye Huat	6,000,000	2.14
6	Soh Pock Kheng	5,275,000	1.88
7	Phillip Securities Pte Ltd	4,298,094	1.53
8	Lim & Tan Securities Pte Ltd	3,917,333	1.40
9	Tan Boon Keng Kennedy	3,000,000	1.07
10	OCBC Securities Private Limited	2,110,500	0.75
11	Tang Lyn-Huei Fiona Mae	2,000,000	0.71
12	Fiona Soh Siok Lan	1,500,000	0.54
13	Forte Capital Management Pte Ltd	1,500,000	0.54
14	Sunshine Bay Limited	1,417,500	0.51
15	Lai Hock Meng	1,250,000	0.45
16	OCBC Nominees Singapore Pte Ltd	1,196,850	0.43
17	DBS Nominees Pte Ltd	1,115,909	0.40
18	Yeap Lam Wah	1,068,000	0.38
19	Lee Fang Wen	1,000,000	0.36
20	Tan Thiam Chye	1,000,000	0.36
	Total :	231,711,388	82.73

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
ASTI Holdings Limited	172,579,302	61.61	-	-

PERCENTAGE SHAREHOLDING IN PUBLIC'S HAND (RULE 723)

38% 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.

Statistics of Warrantholdings

As at 21 March 2012

DISTRIBUTION OF WARRANTHOLDINGS

	SIZE OF WARRANTHOLDINGS	NUMBER OF WARRANTHOLDERS	%	NUMBER OF WARRANTS	%
1	- 999	99	10.81	33,072	0.02
1,000	- 10,000	361	39.41	1,705,822	0.76
10,001	- 1,000,000	437	47.71	38,835,421	17.33
1,000,001	and above	19	2.07	183,507,097	81.89
Total :		916	100.00	224,081,412	100.00

TWENTY LARGEST WARRANTHOLDERS

NO	NAME OF WARRANTHOLDERS	NUMBER OF WARRANTS	%
1	ASTI Holdings Limited	138,063,442	61.61
2	DB Nominees (Singapore) Pte Ltd	7,000,000	3.12
3	Lim Chye Huat @ Bobby Lim Chye Huat	5,000,000	2.23
4	Phillip Securities Pte Ltd	4,513,907	2.01
5	Soh Pock Kheng	3,780,000	1.69
6	Ramesh s/o Pritamdas Chandiramani	3,411,000	1.52
7	Leong Hong Kah	3,300,000	1.47
8	Tan Boon Keng Kennedy	2,400,000	1.07
9	Kuek Tong Au	2,220,000	0.99
10	Lim & Tan Securities Pte Ltd	2,018,500	0.90
11	Yeap Lam Wah	1,793,000	0.80
12	Maybank Kim Eng Securities Pte Ltd	1,476,000	0.66
13	OCBC Nominees Singapore Pte Ltd	1,389,248	0.62
14	Wong Yen Siang	1,293,000	0.58
15	Avtrade Trading Pte Ltd	1,250,000	0.56
16	Eng Koon Hock	1,250,000	0.56
17	Sunshine Bay Limited	1,134,000	0.51
18	CIMB Securities (Singapore) Pte Ltd	1,115,000	0.50
19	Lim Swee Pen	1,100,000	0.49
20	Lai Hock Meng	1,000,000	0.45
Total :		184,507,097	82.34



APPENDIX 4

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2011

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 Friday, 27 April 2012 at 1.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 103 of the Articles of Association of the Company:

Mr Timothy Lim Boon Liat	(Article 103)	(Resolution 2)
Dr Kenneth Yu Keung Yum	(Article 103)	(Resolution 3)

Mr Lim will, upon re-election as a Director of the Company, be considered non-independent.

Dr Yu will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered non-independent.
3. To approve the payment of Directors' fees of S\$195,426 for the year ended 31 December 2011 (2010: S\$189,530). **(Resolution 4)**
4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

6. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note]

(Resolution 6)

By Order of the Board

Yip Ming Fai
Secretary
Singapore, 11 April 2012

Explanatory Note:

The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than 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 2011

PROXY FORM

DRAGON GROUP INTERNATIONAL LIMITED

(Company Registration No. 199306761C)
(Incorporated in The Republic of Singapore)

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 at 25 Kallang Avenue, #06-01 Kallang Basin Industrial Estate, Singapore 339416 on Friday, 27 April 2012 at 1.30 p.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.

(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 Financial Statements for the year ended 31 December 2011		
2	Re-election of Mr Timothy Lim Boon Liat as a Director		
3	Re-election of Dr Kenneth Yu Keung Yum as a Director		
4	Approval of Directors' fees amounting to S\$195,426		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors		
6	Authority to issue shares in the capital of the Company		

Dated this _____ day of _____ 2012

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	

(*Delete where inapplicable)



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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(Co. Reg. No. 199306761C)