


DIVERSITY



DRAGON GROUP INTERNATIONAL LIMITED

A member of  ASTI

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About DGI



Founded in 1990, Dragon Group International Limited ("Dragon Group" or "DGI") debuted on the Singapore Exchange-SESDAQ in September 1994. It subsequently progressed onto the Mainboard of the Singapore Exchange in September 1998. In June 2006, Dragon Group became a subsidiary of ASTI Holdings Limited ("ASTI"), one of the world's leading semiconductor manufacturing services providers.

The Group's three principal business activities comprises distribution of electronic components and test consumables undertaken by Spire Technologies Pte Ltd; supply of semiconductor equipment, materials and tooling, undertaken by Dragon Equipment and Materials Technology Limited; and Nanjing Dragon Treasure Boat Development Co., Ltd., a subsidiary that is involved in the construction of the Dragon Treasure Boat. This project is a joint venture with the Gulou District Government of Nanjing. The Dragon Treasure Boat is a replica of Admiral Zhenghe's treasure boat sailed across the world in the Ming Dynasty.

Headquartered in Singapore, Dragon Group has subsidiaries and representative offices across China, Hong Kong and Taiwan.

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



A Letter to Shareholders



As I stated last year, this is not the end of a journey, but a new beginning for DGI. Having divested the component distribution business, the Group continues to explore investment and business opportunities and will make the appropriate announcements in due course.

Dear Shareholders,

We completed the disposal of all issued and paid up ordinary shares in the share capital of Dragon Technology Distribution Pte. Ltd. ("DTD") on 3 May 2013. Our lightened and low gearing balance sheet as an investment holding company has allowed us to be in a position to explore and seek opportunities and businesses that may yield better returns.

On 19 November 2013, the Group announced that it has entered into a non-binding memorandum of understanding (the "MOU") with AMMS Group Pty Ltd ("AMMS"). This non-binding MOU is in relation to a proposed acquisition by the Company of AMMS' Australian engineering and industrial maintenance business (the "Proposed Acquisition"), at an indicative consideration in the region of AUD12 million to 18 million. As announced on 27 February 2014, the Company no longer intends to pursue this Proposed Acquisition.

INCOME STATEMENT

On 13 September 2012, the Group announced that it has entered into a conditional Sale and Purchase Agreement with InflexionPoint

Technologies Pte. Limited for the disposal of all issued and paid up ordinary shares in the share capital of DTD ("Disposal Group").

In accordance with FRS 105, Non-current Assets Held for Sale and Discontinued Operations, the results of the Disposal Group has been presented separately on the Group's Income Statement as Discontinued Operations for the financial years ended 31 December 2013 and 31 December 2012. On the Group's Balance Sheet, the financial position of the Disposal Group as at 31 December 2012 was aggregated and presented as Assets of disposal group classified as held for sale and Liabilities of disposal group classified as held for sale.

CONTINUING OPERATIONS

Revenue and gross profit generated from continuing operations were mainly from Spire Group. The decline in revenue and gross profit for the year ended 31 December 2013 was mainly due to decrease in demand from customers.

Operating expenses are mainly from expenses incurred by project in Nanjing and operating expenses incurred by the Group. The increase in operating expenses is mainly due to consultancy





fees paid for exploration of new businesses. In accordance with FRS 21, upon disposal of DTD, the translation reserve of US\$6.1 million was reclassified from foreign currency translation reserve to the income statement, resulting in the exceptional loss incurred for the year ended 31 December 2013.

DISCONTINUED OPERATIONS

With the completion of disposal on 3 May 2013, the Group has recognised the results generated from discontinued operations for the period from January to April 2013. This resulted in an overall decline as compared to the period ended 31 December 2012.

FINANCIAL POSITION STATEMENT REVIEW

Current Assets and Current Liabilities

The decrease in current assets and current liabilities was mainly due to the disposal of DTD on 3 May 2013.

Total Equity

Total equity of the Group remained comparable as at 31 December 2013 and 31 December 2012.

CASHFLOW

The highlights for the year are:

- (i) The Group generated net cash of US\$3.0 million from operating activities for the year ended 31 December 2013.
- (ii) Cash proceeds from disposal of subsidiary amounting to US\$14.7 million.

- (iii) Cash balances belonging to the Disposal Group amounting to US\$26.3 million.
- (iv) Additional bank borrowings drawn down by the Disposal Group amounting to US\$3.3 million.
- (v) Purchase of property, plant and equipment amounting to US\$0.6 million.

As a result, cash and cash equivalents decreased 28.6% from US\$22.7 million as at 31 December 2012 to US\$16.2 million as at 31 December 2013.

OUTLOOK

As I stated last year, this is not the end of a journey, but a new beginning for DGI. Having divested the component distribution business, the Group continues to explore investment and business opportunities and will make the appropriate announcements in due course.

IN APPRECIATION

I would like to thank all of our customers, principals, bankers, and shareholders for their confidence and trust in us, and I look forward to your support in the new financial year. To our shareholders, your support will be very important to us, and your vote of confidence will give us the needed encouragement as we continue on this new voyage.

Yours sincerely,

Dato' Michael Loh
Executive Chairman and Chief Executive Officer



致股东书



诚如本人去年所述，这并非旅途的终结，却是金龙集团的新起点。在撤出组件分销业务后，集团继续探索投资及业务机遇，并将于适当时作出合适的公布。

敬致全体股东：

我们已于2013年5月3日完成出售Dragon Technology Distribution Pte. Ltd. (“DTD”) 股本中全部已发行及已缴足股款的普通股。作为投资控股公司，随着财务负担减轻及负债比率下降，将使我们可重新定位，探索及寻求可赚取更佳回报的机遇及业务。

集团于2013年11月19日宣布，与AMMS Group Pty Ltd (“AMMS”) 订立一份无约束力谅解备忘录(“谅解备忘录”)，建议以一千二百万澳元至一千八百万澳元收购AMMS在澳洲的工程及工业维修业务(“建议收购事项”)。集团于2014年2月27日宣布，与AMMS解除此项建议收购事项。

收益表

于2012年9月13日，集团宣布与InflexionPoint Technologies Pte. Limited 就出售其于DTD (“出售集团”) 股本中所有已发行及缴足股款的普通股订立有条件买卖协议。

根据财务报告准则第105号 – 持作待售非流动资产和终止经营业务，出售集团的业绩已于截至2013年及2012年12月31日止财政年度的集团收益表上分开呈列为终止经营业务。集团的资产负债表上，出售集团截至2012年12月31日的财务状况已合并计算及按归入持作待售类别的出售集团资产及归入持作待售类别的出售集团负债呈列。

持续经营业务

持续经营业务产生的营业额及毛利主要来自Spire Group。截至2013年12月31日止年度的营业额及毛利下降主要由于客户的需求减少所致。

经营费用主要来自南京项目的费用支出以及集团的经营费用支出。经营费用增加主要由于就开拓新业务的支付顾问费所致。根据财务报告准则第21号，于出售DTD后，汇兑储备六百一十万美元由外汇储备重新分类至收益表，导致截至2013年12月31日止年度产生非正常性亏损。



终止经营业务

集团已在2013年5月3日完成出售事项，集团的损益表并入了终止经营业务于2013年1月起至4月止期间产生的业绩。

整体较截至2012年12月31日止期间有所下跌。

财务状况表总结

流动资产及流动负债

流动资产及流动负债减少主要由于在2013年5月3日出售DTD所致。

总权益

本集团于2013年12月31日的总权益与2012年12月31日的相若。

现金流量

本年度的摘要为：

流动资产及流动负债减少主要由于在2013年5月3日出售DTD所致。

- (i) 截至2013年12月31日止年度，集团来自经营活动产生的净现金为三百万美元。
- (ii) 出售附属公司的所得现金净额为一千四百七十万美元。

(iii) 出售集团的现金余额为二千六百三十万美元。

(iii) 出售集团的银行借款提用额为三百三十万美元。

(iv) 购置物业、厂房及设备为六十万美元。

因此，现金及现金等价物由2012年12月31日的二千二百七十万美元减少百分之二十八点六至2013年12月31日的一千六百二十万美元。

展望

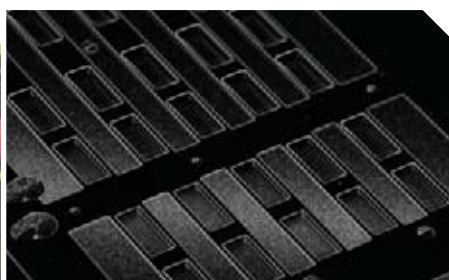
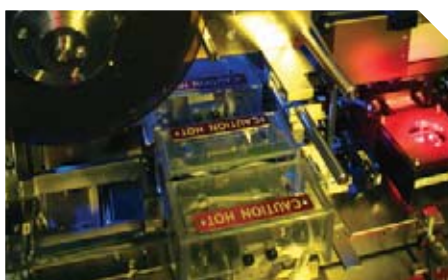
诚如本人去年所述，这并非旅途的终结，却是金龙集团的新起点。在撤出组件分销业务后，集团继续探索投资及业务机遇，并将于适当时作出合适的公布。

致谢

我要感谢所有客户、委托人、银行以及股东对我们的信心与信任，期望在新的财政年度继续得到你们的支持。我在此感谢股东，你们的支持对我们而言尤为重要；当我们再度扬帆起航，你们信心的一票将给予我们莫大的鼓舞。

您诚挚的

执行主席兼首席执行官
拿督 卢纯义



Board of Directors



Dato' Michael Loh Soon Gnee, 58
Executive Chairman and Chief Executive Officer

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

Dato' Loh has a distinguished career in the semiconductor industry. He brings with him more than 34 years of knowledge and experience in wafer fabrication, research and development and assembly, testing and distribution of semiconductor products. Having spent 20 years in Silicon Valley, USA, Dato' Loh has abundant practical business experiences and a vast network of contacts in the semiconductor industry.

Dato' Loh is also the Executive Chairman and Chief Executive Officer of the SGX-Mainboard-listed ASTI Holdings Limited and SGX-Catalist-listed Advanced Systems Automation Limited, as well as the Chief Executive Officer of Dragon Technology Distribution Pte. Ltd.

Current Listed Companies' Directorships

- Dragon Group International Limited
- ASTI Holdings Limited
- Advanced Systems Automation Limited

Past 3 Years Listed Companies' Directorships

- None



Mr Timothy Lim Boon Liat, 49
Group Administrative Officer and Executive Director

Diploma in Sales and Marketing, CIMUK

Mr Lim brings with him over 26 years of experience in the regional semiconductor industry. As the Group Administrative Officer, he is responsible for the Admin, HR and Legal operations of the Group including that of its holding company ASTI Holdings Limited and associated company SGX-Catalist-listed Advanced Systems Automation Limited. Prior to this, Mr Lim has held various positions during his career including sales and management.

Current Listed Companies' Directorships

- Dragon Group International Limited
- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships

- None



Mr Mohd. Sopiyan B. Mohd. Rashdi, 52
Lead Independent 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.

Current Listed Companies' Directorships

- Dragon Group International Limited
- Advanced Systems Automation Limited
- Wintoni Group Berhad

Past 3 Years Listed Companies' Directorships

- None





Dato' Shaarani B. Ibrahim, 64

Independent Director
Remuneration Committee Chairman

BA (Hons) International Relations, University Malaya

Dato' Shaarani brings with him more than 36 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.

Current Listed Companies' Directorships

- Dragon Group International Limited
- CIMB Thai Bank Public Company Limited

Past 3 Years Listed Companies' Directorships

- None



Dr Kenneth Yu Keung Yum, 66

Independent Director
Nominating Committee Chairman

PhD Electrical Engineering and Applied Physics, Stanford University

Dr Yu brings with him over 33 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 8 patents.

Current Listed Companies' Directorships

- Dragon Group International Limited
- Advanced Systems Automation Limited

Past 3 Years Listed Companies' Directorships

- None

Key Management

Mr Chee Kim Huei

Vice President, Finance

Mr Chee joined the ASTI Group in 2000 and has 20 years' experience. He is overall in-charge of the Group's Finance Department, and is currently also the Vice President, Finance of ASTI Holdings Limited and Advanced Systems Automation Limited. Mr Chee was from Ernst and Young prior to joining the Group. He holds a Bachelor of Accountancy from the Nanyang Technological University, Singapore. He is also a member of the Institute of Singapore Chartered Accountants.



Financial Highlights

RESULT OF OPERATIONS	2011	2012	2013
	US\$'000	US\$'000	US\$'000
STATEMENT OF THE GROUP RESULTS			
Revenue	2,708	2,656	814
EBITDA	(2,328)	(4,215)	(2,757)
Loss before income tax from continuing operations	(2,574)	(5,397)	(8,895)
Income tax	24	351	(23)
Loss for the year from continuing operations	(2,550)	(5,046)	(8,918)
Profit/(loss) after taxation from discontinued operations	3,357	(3,712)	(570)
Profit/(loss) for the year	807	(8,758)	(9,488)
Attributable to:			
Equity holders of the Company	853	(8,602)	(9,317)
Non-controlling interests	(46)	(156)	(171)
	807	(8,758)	(9,488)
Earnings/(loss) per share (cents)	0.3	(3.1)	(3.0)
FINANCIAL POSITION OF THE GROUP			
Intangible assets	5,406	162	156
Property, plant and equipment	6,266	7,027	7,682
Available-for-sale financial assets	737	531	87
Deferred tax assets	257	-	-
Other debtors	-	-	1,842
Current assets	106,950	99,756	19,826
Total Assets	119,616	107,476	29,593
Equity attributable to equity holders of the Company	32,567	24,373	24,890
Non-controlling interests	4,024	3,918	3,279
	36,591	28,291	28,169
Other long term & deferred liabilities	851	-	-
Current liabilities	82,174	79,185	1,424
Total Equity and Liabilities	119,616	107,476	29,593
NAV per share (cents)	11.63	8.70	7.77
Weighted average number of shares in the year	280,101,783	280,101,783	314,516,547
Number of shares as at end of year	280,101,783	280,101,783	320,166,733
TURNOVER AND PROFITABILITY			
Analysis by Activities			
Turnover			
Electronics Distribution	2,708	2,656	814
Technology Investments & Others	-	-	-
	2,708	2,656	814
(Loss)/Profit before tax			
Electronics Distribution	(280)	(110)	5,203
Technology Investments & Others	(2,294)	(5,287)	(14,098)
	(2,574)	(5,397)	(8,895)



Corporate Information

BOARD OF DIRECTORS

Executive:

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

Timothy Lim Boon Liat
*Group Administrative Officer and
Executive Director*

Non-Executive:

Mohd. Sopiyan B. Mohd. Rashdi
Lead Independent Director

Dato' Shaarani B. Ibrahim
Independent Director

Dr Kenneth Yu Keung Yum
Independent Director

AUDIT COMMITTEE

Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Dato' Shaarani B. Ibrahim
Dr Kenneth Yu Keung Yum

NOMINATING COMMITTEE

Dr Kenneth Yu Keung Yum
Chairman

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

REMUNERATION COMMITTEE

Dato' Shaarani B. Ibrahim
Chairman

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

COMPANY SECRETARY

Dayne Ho Chung Wei

EXECUTIVE OFFICER

Chee Kim Huei
Vice President, Finance

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, #06-01,
Kallang Basin Industrial Estate,
Singapore 339416
Tel: (65) 6392 6922
Fax: (65) 6392 5522

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 Public Accountants and Chartered 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

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





APPENDIX 1

DRAGON GROUP INTERNATIONAL LIMITED ■ ANNUAL REPORT 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2013

The Board of Directors (the "**Board**") of Dragon Group International Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is committed to maintaining a high standard in complying with the Code of Corporate Governance 2012 ("**CCG**" or the "**Code**") which forms part of the continuing obligations to the Singapore Exchange Trading Limited (SGX-ST)'s listing rule. The Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, the rationale is provided. 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 that were in place throughout the financial year ended 31 December 2013 ("**FY2013**") with specific references to the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The 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:

- providing entrepreneurial leadership, setting strategic aims and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- reviewing the Management's performance and setting the Company's values and standards (including ethical standards) to ensure that obligations to shareholders are understood and met;
- overseeing the processes for risk management, financial reporting and compliance and evaluating the adequacy of internal controls;
- approving the nominations of Board Directors as recommended by Nominating Committee (the "**NC**") and appointments to the various Board committees;
- identifying the key stakeholder group and recognizing that their perceptions affect the Group's reputation;
- appointing the Group Chief Executive Officer and reviewing and endorsing the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee (the "**RC**");
- approving annual budgets, major funding proposals, investment and divestment proposals of the Company; and
- providing oversight in the proper conduct of the Company's business and assuming responsibility for corporate governance.

Typically, any transaction that is significantly relative to the financial position of the Group would require Board approval. The Board has delegated certain functions to various board committees, namely the Audit Committee (the "**AC**"), the NC and the RC. Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

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

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

- Strategies and objectives of the Group;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment and divestments;

CORPORATE GOVERNANCE REPORT

- Commitments to terms loans and lines of credits from banks and financial institutions;
- Interested person transactions (including, *inter alia*, conflict of interest issues relating to substantial shareholders of Dragon Group and/or Directors);
- annual budget;
- corporate or financial restructuring; and
- major transactions proposal which include funding, merger, acquisition and disposal transactions.

Apart from the matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimise operational efficiency.

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

Whenever a new Director is appointed on the Board, the Company ensures that the new Director receives a thorough orientation programme to update him with all information necessary or desirable for him 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 and funded, as and when necessary, to the Directors. The NC reviews and makes recommendations on the training and professional development programs to the Board. During the year, the Group engaged an external consultant to present and update the Board on the recent amendments to the SGX-ST Listing Rules and the revisions to the Code.

Principle 2: Board Composition and Guidance

There is 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 (5) Directors, three (3) of whom are Independent Directors. There is a strong independent element on the Board as more than half of the Board comprises Independent Directors.

The Board examines its size and composition of the Board and board committees on an annual basis. It takes great pride in the composition of its Board of Directors, which as a group, provides an appropriate balance and diversity of skills, experience and knowledge of the Group, as well as 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 Director are set out on pages 6 and 7 of the annual report. The Board is therefore well placed to lead, providing entrepreneurial and strategic leadership, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

The Independent Directors are encouraged to constructively challenge and help to develop business proposals tabled by Management. They have also monitored and reviewed the reporting of 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.

Taking into account the nature and scope of the Group's operations and the requirements of its near-term business plans, the Board is of the view that its current size and composition is appropriate and believes that it provides sufficient diversity without affecting the effectiveness and efficiency of decision-makings.

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

The Chairman has assumed additional responsibilities as CEO of the Company in 2008. The Board is of the opinion that given the Chairman's vast experience and past contributions, adopting a single leadership structure will enable a more efficient decision-making process and bring greater value to the Group.

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 sets 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.

CORPORATE GOVERNANCE REPORT

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 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.

To facilitate a more efficient check on Management and the Chairman, the Independent Directors have been encouraged to meet without the presence of the Management and the Chairman on separate occasions. The Lead Independent Director then provides feedback to the Chairman after such meetings.

Principle 4: Board Membership

The nature of the Directors' appointments on the Board and details of their membership on the Board Committees are set out below:

Board and Committee Membership

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*	Independent	Member	Member	Chairman
Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent	Chairman	Member	Member
Dato' Shaarani B. Ibrahim	Independent	Member	Chairman	Member

* Dr Kenneth Yu Keung Yum was previously a Non-executive but not an independent director of the Company solely due to his previous employment with the Company as the Chief Operating Officer from 1 March 2010 to 31 August 2010. As it is now more than three year since his employment with the Company, he is now considered an independent director.

Attendance at Board and Committee Meetings

The Board meets at least 4 times each year and as and when warranted by particular circumstances, as deemed appropriate by the Board. 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 2013 are set out below:

Meetings	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of Meetings	4	4	1	1
Dato' Michael Loh Soon Gnee	4	N.A	N.A	N.A.
Mr Timothy Lim Boon Liat	4	N.A	N.A	N.A
Dr Kenneth Yu Keung Yum	3	3	1	1
Mr Mohd. Sopiyan B. Mohd. Rashdi	4	4	1	1
Dato' Shaarani B. Ibrahim	4	4	1	1

CORPORATE GOVERNANCE REPORT

Board Appointments

The Nominating Committee (the “NC”) makes recommendations to the Board on all Board appointments and re-appointments. The majority of the members of the NC, including the Chairman, are independent. The Lead Independent Director is a member of the NC. The NC Chairman is not a substantial shareholder nor is he directly associated¹ with any substantial shareholder of the Company.

The key terms of reference of the NC include the following:

- Review board succession plans for Directors, in particular, the Chairman and for the CEO;
- Development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
- Review of training and professional development programs for the Board;
- Appointment and re-appointment of Directors;
- Evaluate and determine the independence of the Independent Directors; and
- Evaluate whether a Director, with multiple board representations, is able to and has been adequately carrying out his duties as Director of the Company.

Process for Selection and Appointment of New Directors

When required, the search and nomination process for new Directors will be through search companies, contacts or recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidate. The NC assesses the suitability of the candidate based on his skills, knowledge and experience and to ensure he is aware of the expectations and the level of commitment required, before recommending the potential candidate to the Board for appointment as Director. The Company’s Articles of Association provides that a newly appointed Director during the financial year must retire and submit himself for re-appointment at the following AGM following his appointment. Thereafter, he is subject to be re-appointed at least once every three years.

Retirement and Re-election of Directors

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the Director’s contribution and performance (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of intervention and special contribution.

All Directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company’s Articles of Association provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-appointment at the Company’s Annual General Meeting (the “AGM”). As part of the process for the selection, appointment and re-appointment of Directors, the NC will consider the composition and progressive renewal of the Board.

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.

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 Appointment	Date of Last Re-election
Dato’ Michael Loh Soon Gnee	Executive Chairman & CEO	23 October 2003	26 April 2013
Mr Timothy Lim Boon Liat	Executive Director	12 August 2009	27 April 2012
Dr Kenneth Yu Keung Yum	Independent Director	1 March 2010	27 April 2012
Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent Director	16 February 2011	28 April 2011
Dato’ Shaarani B. Ibrahim	Independent Director	8 September 2010	26 April 2013

¹ A director will be considered ‘directly associated’ to a substantial shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

CORPORATE GOVERNANCE REPORT

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
Mr Mohd Sopiyan B. Mohd Rashdi	Independent Director

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.

Confirmation of Independence of Directors

The NC is also responsible for determining the independence of Directors annually and as and when the circumstances require, bearing in mind the Guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. A director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent. For the purpose of determining directors' independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board.

For good governance, the Board carries out rigorous review of the contribution and independence of Directors who has served on the Board beyond nine years from the date of their appointment and if necessary, may exercise its discretion to extend the tenures of these directors. Presently there are no Independent Directors that have served on the Board for more than nine years since their initial appointment.

In its annual review for FY 2013, the NC, having considered the guidelines set out in the Code, has confirmed the status of the following Non-Executive Directors:

Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent
Dato' Shaarani B. Ibrahim	Independent
Dr Kenneth Yu Keung Yum	Independent

Directors' Time Commitment and Multiple Directorships

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.

The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The guideline provides that, as a general rule, each Director should hold no more than ten listed company board representations. The guideline includes the following:

- Directors must consult the Chairman of the Board and the NC Chairperson prior to accepting any new appointments as directors and other principal commitments; and
- In support of their candidature for directorship or re-appointment, directors are to provide the NC with details of the board appointment and other principal commitments and an indication of the time involved.

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2013, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and that the Directors have discharged their duties adequately.

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.

CORPORATE GOVERNANCE REPORT

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. They are also 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.

To allow directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

To facilitate direct access to the senior management, Directors are also provided with the names and contact details of the management team.

The Chairman updates the Board during the quarterly Board meetings on Group's strategies and business environment to keep the members of the Board abreast of the Group businesses and activities.

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.

REMUNERATION MATTERS

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.

CORPORATE GOVERNANCE REPORT

The members of the RC carried out their duties in accordance with the terms of reference which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind.
- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.
- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
- Implement and administer the Company's share options plan.
- Review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- Review the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

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. The RC will ensure that the consultant does not have any connection with the Group or any of its Directors which could affect his independence and objectivity.

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.

Independent Directors have no service contracts with the Company and their terms are specified in the Articles of Association. Independent 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 Independent 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 Independent 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 Executive Directors do not have fixed-term service contracts with the Company and their service contracts do not contain onerous removal clauses. Notice periods in any service contracts are typically set at period of six months or less. There are currently no incentive components in the service contracts with Executive Directors and key management personnel.

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 variable component is determined at the discretion of the Company, taking into consideration the performances of the Group businesses and respective employees.

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 2013

Directors	US\$	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Contribution From Employer (%)	Total (%)
Dato' Michael Loh Soon Gnee	1,113,934	3%	26%	62%	9%	0%	100%
Mr Timothy Lim Boon Liat	127,965	12%	0%	79%	0%	9%	100%
Dr Kenneth Yu Keung Yum	31,094	100%	0%	0%	0%	0%	100%
Mr Mohd. Sopiyan B. Mohd. Rashdi	31,892	100%	0%	0%	0%	0%	100%
Dato' Shaarani B. Ibrahim	31,094	100%	0%	0%	0%	0%	100%

The total remuneration paid to the top 5 key executives (who are not Directors) was approximately US\$212,000. The remuneration paid to 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 was no termination, retirement or post-employment benefits provided for in the employment contracts with the Directors, CEO or top five key management personnel.

There were 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 2013.

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 Group's performance, position and prospects. Such responsibility extends to interim and other price sensitive public reports, and reports to regulators. The Board has embraced openness and transparency in the conduct of the Company's affairs whilst preserving the interests of the Group.

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

The Board also keeps itself up-to-date on legislative and/or regulatory changes that affect the Company and/or the Group so as to ensure that the Company is in compliance with the relevant legislation and regulations including requirements under the Rules of the Listing Manual. Where necessary, external professionals will provide the Board with updates in this regard and the Board will then consider whether any amendments to existing corporate policies will need to be implemented to ensure compliance.

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: Risk Management and Internal Controls

The Board, with the assistance from the AC, is responsible for determining the level of risk tolerance of the Company and the governance of risk by ensuring that the Company has put in place adequate risk management and 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 overseeing the Group's risk management framework and policies, as well as 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.

CORPORATE GOVERNANCE REPORT

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.

In relation to the risk management function, the AC is guided by the following terms of reference, which assist the Board to:

- Determine the Group's levels of risk tolerance and risk policies.
- Oversee management in the formulation, update and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks.
- Make the necessary recommendation to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance to the SGX-ST's Listing Manual and Code of Corporate Governance.
- Review the Group's risk profile regularly and the adequacy of any proposed action if necessary.
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board has received assurance from the Executive Chairman (who is also the Group Chief Executive Officer) and the Vice President of Finance that:

- The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2013 give a true and fair view of the Group's operations and finances; and
- The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

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 and information technology 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 executive as set out on pages 6 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.

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.

CORPORATE GOVERNANCE REPORT

Dealings in the Company's Securities

The Company has devised and adopted an internal compliance code (the "Internal Code") to provide guidance to its officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times.

The Internal Code complies with, and the Board confirms that for the financial year ended 31 December 2013, 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 arm's 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 2013:

Name of Interested Person	Aggregate value of all IPTs for FY 2013 under review (excluding transactions less than S\$100,000) US\$'000
ASTI Holdings Limited ⁽¹⁾	1,288

⁽¹⁾ ASTI Holdings Limited ("ASTI") is the holding company of the Group. The IPT comprises of US\$357,000 management fee charged by ASTI, an advance of US\$900,000 to ASTI and interest income from ASTI of US\$31,000.

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 12: 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 of which are non-executive and independent Directors.

The members of the AC have experience in managerial positions across banking, audit and finance industries. (See Directors' profile on pages 6 and 7 of the annual report). The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions.

During the year, the AC obtained updates from the Company's auditors on changes in accounting standards, corporate governance and other relevant regulations that might have a direct impact on the Group's financial statements.

The AC has the explicit 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 the terms of reference which include the following:

- 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;
- 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 compliance and information technology controls and risk management;
- reviews the internal audit function to ensure that it is adequately resourced and has appropriate standing within the Group;
- reviews significant financial reporting issues and judgements to ensure the integrity of financial statements of the Group 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;
- reviews any significant findings of internal investigations;

CORPORATE GOVERNANCE REPORT

- makes recommendations to the Board on the appointment of external auditors, the audit fee, terms of engagement and any questions on their resignation or dismissal;
- reviews and approves the appointment, replacement, re-assignment or the dismissal of the internal auditor;
- reviews the assistance given by the Company's officers to the external auditors and internal auditors;
- reviews and monitors interested person transactions, if any, arising and to ensure that that the SGX-ST's Listing Manual internal control procedures approved by shareholders are adhered to in relation to such transactions;
- reports actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate;
- 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
- nominates external auditors.

The AC held 4 meetings during the year, attendance of which is detailed on page 3 of this 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.

The principal activities of the AC during FY 2013 are summarised below:

Financial reporting

The AC met on a quarterly basis and reviewed the quarterly and full year results announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the full year financial statements and also discussed with management, the Vice President of Finance and the external auditors the significant issues and adjustments resulting from the audit, and any significant deficiencies in internal controls over financial reporting matters that came to external auditor's attention during their audit together with their recommendations.

External audit processes

The AC manages the relationship with the Group's external auditors, on behalf of the Board. During FY2013, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of Ernst & Young LLP.

Pursuant to the requirement in the SGX-ST's Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Ernst & Young LLP's audit partner for the Company took over from the previous audit partner for the financial year ended 31 December 2010. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST's Listing Manual.

Internal audit

During the year, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with management, the internal auditors and external auditors.

The AC considered and reviewed with management and the internal auditors on the following:

- Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group; and
- Significant internal audit observations and management's response thereto.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the Internal Auditors has adequate resources to carry out the internal audit function.

CORPORATE GOVERNANCE REPORT

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 objective position as independent external auditor. The fees related to the audit and non-audit services provided by E&Y are disclosed in the notes to the financial statements.

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 Group Administrative Officer. The AC has reviewed and satisfied with the adequacy of the whistle blowing policy.

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

Principle 13: Internal Audit

The internal audit function was outsourced to Baker Tilly Consultancy (Singapore) Pte Ltd (the "**Internal Auditor**") since FY 2004. The methodology adopted by the Internal Auditor is in conformity to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditor (the "**IA**") is independent of the activities it audits.

The AC approves the engagement, termination, evaluation and fees of the Internal Auditors. The IA, who reports directly on internal audit matters to the Chairman of the AC, have unfettered access to all the Group's documents, records, properties and personnel, including access to 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 Group, 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.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company engages in regular, effective and fair communication with shareholders and ensures that all the Company's shareholders are treated equitably and the rights of all shareholders are protected. The Company dialogues with investors, securities analysts, fund managers and the press as and when necessary.

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 and sufficient access to information, changes, updates and the archives of the Company or its businesses which would be likely to materially affect the price or value of the company's shares. The website also provides a channel for shareholders to raise any concerns or issues, if any.

CORPORATE GOVERNANCE REPORT

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.

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.

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 2013

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Dragon Group International Limited (the "Company") and its subsidiary companies (collectively the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2013.

Directors of the Company

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

Dato' Michael Loh Soon Gnee
 Timothy Lim Boon Liat
 Dr Kenneth Yu Keung Yum
 Mohd. Sopiyan B. Mohd. Rashdi
 Dato' Shaarani B. Ibrahim

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 2014
<i>The holding company – ASTI Holdings Limited ("ASTI")</i>			
Ordinary shares			
Dato' Michael Loh Soon Gnee			
- held in name of Director	73,209,600	73,209,600	73,209,600
- 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

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 date of appointment if later, 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.

DIRECTORS' REPORT

Audit Committee

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

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

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

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

Auditor

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

On behalf of the Board of Directors,

Dato' Michael Loh Soon Gnee
Director

Timothy Lim Boon Liat
Director

Singapore
2 April 2014

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 2013 and the results of the business, changes in equity and cash flows of the Group and the 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
2 April 2014

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2013

Independent Auditor's Report to the Members of Dragon Group International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Dragon Group International Limited (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 5 to 61, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, 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 Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, 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 2013 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
Chartered Accountants
Singapore

2 April 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 US\$'000	Group 2012 US\$'000
<u>Continuing Operations</u>			
Revenue	5	814	2,656
Cost of sales		(570)	(2,337)
Gross profit		244	319
Other income	6	89	98
Selling and marketing costs		(25)	(28)
General and administrative costs		(3,242)	(3,573)
Finance costs	7	(2)	(12)
Exceptional items	8	(5,959)	(2,201)
Loss before taxation from continuing operations	9	(8,895)	(5,397)
Taxation	10	(23)	351
Loss after taxation from continuing operations		(8,918)	(5,046)
<u>Discontinued Operations</u>			
Loss after taxation from discontinued operations	4	(570)	(3,712)
Loss for the year		(9,488)	(8,758)
Attributable to:			
<u>Equity holders of the Company</u>			
Loss after taxation from continuing operations		(8,700)	(4,779)
Loss after taxation from discontinued operations		(617)	(3,823)
		(9,317)	(8,602)
<u>Non-controlling interests</u>			
Loss after taxation from continuing operations		(218)	(267)
Profit after taxation from discontinued operations		47	111
		(171)	(156)

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	Group 2013 US\$'000	2012 US\$'000
<hr/>			
<u>Loss per share attributable to owners of the Company</u>			
Basic (cents)	11	(2.96)	(3.07)
Diluted (cents)	11	(2.96)	(2.69)
<hr/>			
<u>Loss per share from continuing operations attributable to owners of the Company</u>			
Basic (cents)	11	(2.77)	(1.71)
Diluted (cents)	11	(2.77)	(1.49)
<hr/>			
<u>Loss per share from discontinued operations attributable to owners of the Company</u>			
Basic (cents)	11	(0.19)	(1.36)
Diluted (cents)	11	(0.19)	(1.19)
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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 2013

	Note	Group 2013 US\$'000	2012 US\$'000
Loss for the year		(9,488)	(8,758)
Other comprehensive income:			
Foreign currency translation		98	458
Net gain on fair value changes of available-for-sale financial asset		34	–
Other comprehensive income for the year, net of tax		132	458
Total comprehensive income for the year		(9,356)	(8,300)
Total comprehensive income attributable to:			
Equity holders of the Company		(9,275)	(8,194)
Non-controlling interests		(81)	(106)
		(9,356)	(8,300)
Total comprehensive income attributable to:			
<u>Equity holders of the Company</u>			
Total comprehensive income from continuing operations, net of tax		(8,616)	(3,879)
Total comprehensive income from discontinued operations, net of tax		(659)	(4,315)
		(9,275)	(8,194)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group		Company	
		2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
ASSETS					
Non-current assets					
Intangible assets	12	156	162	99	102
Property, plant and equipment	13	7,682	7,027	18	27
Investments in subsidiary companies	14	–	–	711	33,387
Available-for-sale financial assets	15	87	531	70	500
Other financial assets	16	–	–	–	–
Amounts due from subsidiary companies	17	–	–	5,504	5,504
Other debtors	18	1,842	–	1,842	–
		<u>9,767</u>	<u>7,720</u>	<u>8,244</u>	<u>39,520</u>
Current assets					
Stocks	19	395	386	–	–
Prepayments		19	16	17	13
Amount due from holding company	20	927	–	925	–
Amounts due from subsidiary companies	17	–	–	2,543	3,312
Trade debtors	21	100	183	–	–
Other debtors	18	2,167	138	1,874	43
Tax recoverable		9	7	–	–
Cash and bank balances	22	16,209	6,023	15,483	4,392
Assets of disposal group classified as held for sale	4	–	93,003	–	–
		<u>19,826</u>	<u>99,756</u>	<u>20,842</u>	<u>7,760</u>
TOTAL ASSETS		<u>29,593</u>	<u>107,476</u>	<u>29,086</u>	<u>47,280</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade creditors and accruals	23	539	1,909	316	1,687
Other creditors	24	452	3,703	202	3,537
Amount due to holding company	25	406	110	406	110
Amounts due to subsidiary companies	26	–	–	2,356	19,418
Provision for taxation		27	12	27	7
Liabilities of disposal group classified as held for sale	4	–	73,451	–	–
		<u>1,424</u>	<u>79,185</u>	<u>3,307</u>	<u>24,759</u>
TOTAL LIABILITIES		<u>1,424</u>	<u>79,185</u>	<u>3,307</u>	<u>24,759</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>18,402</u>	<u>20,571</u>	<u>17,535</u>	<u>(16,999)</u>
NET ASSETS		<u>28,169</u>	<u>28,291</u>	<u>25,779</u>	<u>22,521</u>

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group		Company	
		2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Equity attributable to equity holders of the Company					
Share capital	27	58,175	54,928	58,175	54,928
Capital reserve	28	2,525	2,525	–	–
Other reserve		18	18	–	–
Revaluation reserve		34	–	34	–
Foreign currency translation reserve	29	888	838	–	–
Accumulated losses		(36,750)	(27,433)	(32,430)	(32,407)
Reserves of disposal group classified as held for sale	4	–	(6,503)	–	–
		24,890	24,373	25,779	22,521
Non-controlling interests		3,279	3,918	–	–
TOTAL EQUITY		28,169	28,291	25,779	22,521
TOTAL EQUITY AND LIABILITIES		29,593	107,476	29,086	47,280

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 2013

Attributable to equity holders of the Company

	Share capital (Note 27) US\$'000	Capital reserve (Note 28)	Other reserve	Revaluation reserve	Foreign currency translation reserve (Note 29)	Accumulated losses	Reserve of disposal group classified as held for sale (Note 4c)	Equity attributable to equity holders of the Company, total	Non-controlling interests	Total equity
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2013										
Group										
At 1 January 2013	54,928	2,525	18	–	838	(27,433)	(6,503)	24,373	3,918	28,291
Loss for the year	–	–	–	–	–	(9,317)	–	(9,317)	(171)	(9,488)
<u>Other comprehensive income</u>										
Foreign currency translation	–	–	–	–	50	–	(42)	8	90	98
Net gain on fair value changes of available-for-sale financial asset	–	–	–	34	–	–	–	34	–	34
Other comprehensive income for the year, net of tax	–	–	–	34	50	–	(42)	42	90	132
Total comprehensive income for the year	–	–	–	34	50	(9,317)	(42)	(9,275)	(81)	(9,356)
<u>Changes in ownership interests in subsidiaries</u>										
Disposal of subsidiaries	–	–	–	–	–	–	6,545	6,545	(558)	5,987
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	6,545	6,545	(558)	5,987
<u>Contributions by and distributions to equity holders</u>										
Issuance of placement shares	3,239	–	–	–	–	–	–	3,239	–	3,239
Exercise of warrants	8	–	–	–	–	–	–	8	–	8
Total contributions by and distributions to equity holders	3,247	–	–	–	–	–	–	3,247	–	3,247
At 31 December 2013	58,175	2,525	18	34	888	(36,750)	–	24,890	3,279	28,169

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 2013

Attributable to equity holders of the Company

	Attributable to equity holders of the Company						Total equity US\$'000	
	Share capital (Note 27) US\$'000	Capital reserve (Note 28) US\$'000	Other reserve US\$'000	Foreign currency translation reserve (Note 29) US\$'000	Accumulated losses US\$'000	Reserve of disposal group classified as held for sale (Note 4c) US\$'000		Equity attributable to holders of the Company, total US\$'000
2012								
Group								
At 1 January 2012	54,928	2,103	18	(5,651)	(18,831)	–	32,567	4,024
Loss for the year	–	–	–	–	(8,602)	–	(8,602)	(156)
<u>Other comprehensive income</u>	–	–	–	408	–	–	408	50
Foreign currency translation	–	–	–	408	–	–	408	50
Other comprehensive income for the year, net of tax	–	–	–	408	–	–	408	50
Total comprehensive income for the year	–	–	–	408	(8,602)	–	(8,194)	(106)
<u>Others</u>								
Reserve attributable to disposal group classified as held for sale	–	422	–	6,081	–	(6,503)	–	–
Total others	–	422	–	6,081	–	(6,503)	–	–
At 31 December 2012	54,928	2,525	18	838	(27,433)	(6,503)	24,373	3,918
								28,291

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 2013

	2013 US\$'000	2012 US\$'000
Cash flow from operating activities		
Operating loss before taxation from continuing operations	(8,895)	(5,397)
Operating loss before taxation from discontinued operations	(457)	(3,445)
Total operating loss before taxation	(9,352)	(8,842)
Adjustments for:		
Amortisation of intangible assets	3	664
Depreciation of property, plant and equipment	258	436
Gain on disposal of property, plant and equipment	–	(5)
Net fair value gain on available-for-sale financial assets	–	(36)
Impairment losses on available-for-sale financial assets (Note 8)	479	242
Impairment of intangible assets	–	799
Loss on disposal of intangible asset (Note 8)	34	–
Gain on disposal of subsidiaries (Note 8)	(1,099)	–
Loss on realisation of reserves on disposal of discontinued operations (Note 8)	6,545	–
Interest income	(88)	(116)
Interest expense	391	1,380
Provision for loss on Disposal Group (Note 4c)	–	4,096
Operating cash flow before reinvestment in working capital	(2,829)	(1,382)
Decrease in stocks	2,146	804
Decrease in debtors	1,148	9,917
Increase/(decrease) in creditors	3,081	(3,123)
Effects of exchange rates changes	(137)	323
Cash generated from operations	3,409	6,539
Interest paid	(391)	(1,380)
Interest received	88	114
Tax paid	(59)	(207)
Net cash generated from operating activities	3,047	5,066
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	–	8
Purchase of property, plant and equipment	(642)	(1,107)
Purchase of intangible asset	(31)	–
Cash proceeds from disposal of subsidiaries (See note (i))	14,735	–
Cash balances belonging to Disposal Group (See note (i))	(26,307)	–
Project development expenditure	(3)	(315)
Net cash used in investing activities	(12,248)	(1,414)

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 2013

	2013 US\$'000	2012 US\$'000
Cash flow from financing activities		
Increase in amount due to holding company	239	77
Increase/(decrease) in amounts due to bankers	3,356	(3,711)
Advance of proceeds from placement shares	–	3,273
Proceeds from exercise of warrants	8	–
Loan to holding company	(900)	–
Net cash generated from/(used in) financing activities	2,703	(361)
Net (decrease)/increase in cash and cash equivalents	(6,498)	3,291
Cash and cash equivalents at beginning of year	22,707	19,357
Effects of exchange rate changes on cash and cash equivalents	–	59
Cash and cash equivalents at end of the year (Note 22)	16,209	22,707

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

(i) Disposal of subsidiary

The Company disposed Dragon Technology Distribution Pte Ltd, a wholly owned subsidiary, on 3 May 2013 at the consideration of US\$18,419,000. Proceeds for 2013 amounted to US\$14,735,000 with US\$3,684,000 repayable in future periods.

The value of assets and liabilities of Dragon Technology Distribution Group recorded in the consolidated financial statements as at 3 May 2013, and the cash flow effect of the disposal were:

	2013 US\$'000
Assets	
Property, plant and equipment	477
Deferred tax assets	239
Debtors	49,733
Tax recoverable	16
Prepayment	352
Stocks	21,437
Pledged deposits	1,407
Cash and bank balances	26,307
Liabilities	
Creditors and accruals	(34,978)
Amounts due to bankers	(46,164)
Provision for taxation	(252)
Long term payables	(629)
Deferred tax liabilities	(66)
Net assets disposed	<u>17,879</u>
Less : Net assets disposed attributable to non-controlling interest	(559)
Carrying value of net assets disposed	<u>17,320</u>
Total consideration	18,419
Portion of the proceeds to be received in subsequent periods (Note 18)	(3,684)
Cash proceeds received in 2013	<u>14,735</u>
Cash and cash equivalents of the subsidiary	(26,307)
Net cash outflow on disposal of subsidiary in 2013	<u>(11,572)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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.

On 13 September 2012, the Group announced that it had entered into a conditional sale and purchase agreement with InflexionPoint Technologies Pte. Limited (the "Purchaser") for the proposal disposal (the "Disposal") of all issued and paid up ordinary shares in the share capital of Dragon Technology Distribution Pte. Ltd. ("Disposal Group"). The disposal was completed on 3 May 2013. For more details on the disposal, please refer to Note 4(c).

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.

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 that are effective for annual periods beginning on or after 1 January 2013 and early adopted the Amendments to FRS 36 Recoverable Amount Disclosures for Non-financial Assets which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.2 Changes in accounting policies (cont'd)

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>
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

Except for FRS 112, the directors expect that the adoption of the other standards 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 FRS 112 is described below.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.3 Significant accounting judgments and estimates

The preparation of the Group's consolidated 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 end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(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 have the most significant effects 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 at 31 December 2013 was US\$27,000 (2012: US\$12,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.3 Significant accounting judgments and estimates (cont'd)

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

(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.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(ii) 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. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. 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 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.4 Foreign currency

The Group's consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Foreign currency transactions and balances

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. Monetary assets and liabilities denominated in foreign currencies are translated at 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 fair values were measured.

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 profit or loss 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 profit or loss on disposal of the foreign operation.

(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 profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.5 Basis of consolidation (cont'd)

Business combinations from 1 January 2010 (cont'd)

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 2013

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

2.5 Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010

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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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's 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.

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 the profit attributable to equity holders of the associate and, therefore is the 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 and recognises 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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 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 acquiree are assigned to those units.

The cash-generating units to which goodwill have 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.

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. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated 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.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an 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.

Gains or losses arising from de-recognition 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 profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.9 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(i) Club memberships

Club memberships with finite useful lives are amortised on a straight line basis.

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 at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.22. 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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 assets are 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 profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.11 Financial instruments

(a) 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.

Subsequent measurement

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

(i) 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, less impairment. Gains or losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity 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.

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.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.12 Impairment of assets

(a) Impairment of financial assets

The Group assesses at each reporting date 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 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.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash 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 the profit or loss.

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed 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 the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.12 Impairment of assets (cont'd)

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

(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.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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 or cash-generating unit 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 expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in profit or loss, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.13 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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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 economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 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 profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

2.17 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods 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 using the effective interest method.

2.19 Taxes

(a) *Current income tax*

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 tax*

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.19 Taxes

(b) *Deferred tax*

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 tax relating to items recognised outside profit or loss is recognised outside profit or loss. 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 taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.19 Taxes (cont'd)

(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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.23 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.

2.24 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 2013

3. Segment information

For management purpose, the Group has two (2012: two) 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:

	Continuing Operations		Electronics Distribution		Discontinued Operations		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Revenue	814	2,656	73,431	238,677	–	–	–	–	(73,431)	(238,677)	814	2,656
Sale to external customers	(25)	(114)	400	3,197	(8,384)	(2,832)	(284)	(5,226)	(8,293)	(4,975)	–	–
Segment Results												
Interest (expense)/income	–	–	(400)	(1,380)	9	(508)	400	1,888	9	–	–	–
Depreciation	–	–	(82)	(255)	(176)	(181)	82	255	(176)	(181)	–	–
Amortisation	–	–	–	(704)	(3)	(3)	–	704	(3)	(3)	–	–
Write back of/(allowance for) doubtful debts	18	4	(375)	(207)	29	(63)	375	270	47	4	–	–
Impairment losses on available-for-sale financial assets	(15)	–	–	–	(464)	(242)	–	–	(479)	(242)	–	–
Provision for loss on disposal (Note 4c)	–	–	–	(4,096)	–	–	–	4,096	–	–	–	–
Profit/(loss) before taxation	(22)	(110)	(457)	(3,445)	(8,989)	(3,829)	573	1,987	(8,895)	(5,397)	–	–
Taxation									(23)	351		
Loss for the year									(8,918)	(5,046)		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. Segment information (cont'd)

	Continuing Operations		Electronics Distribution		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	–	–	21	465	664	1,511	(21)	(465)	664	1,511
Segment assets	1,038	2,831	–	146,071	28,665	55,891	(119)	(97,607)	29,584	107,186
Unallocated assets									9	290
Total assets									29,593	107,476
Segment liabilities	4,681	10,320	–	80,064	6,828	30,582	(10,112)	(42,074)	1,397	78,892
Unallocated liabilities									27	293
Total liabilities									1,424	79,185

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 tax recoverable. Segment liabilities comprise mainly operating liabilities and exclude taxation liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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	
	2013 US\$'000	2012 US\$'000
<u>Continuing operations</u>		
Singapore	138	144
Greater China	597	2,463
Others	79	49
	<u>814</u>	<u>2,656</u>
<u>Discontinued operations</u>		
Singapore	14,792	28,867
Malaysia	3,808	14,104
Philippines	583	1,355
Thailand	1,440	5,018
Indonesia	468	2,165
India	4,049	10,103
Greater China	45,899	169,696
Korea	2,376	5,736
Others	16	1,633
	<u>73,431</u>	<u>238,677</u>

	Non-current assets	
	2013 US\$'000	2012 US\$'000
Singapore	117	455
Malaysia	–	55
Greater China	7,721	7,207
Korea	–	8
Others	–	–
Attributable to discontinued operations (Note 4c)	–	(536)
	<u>7,838</u>	<u>7,189</u>

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 for continuing operations amounted to US\$83,000 (2012: US\$1,413,000), arising from sale by the electronics distribution segment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. Group companies

(a) The significant subsidiary companies as at 31 December 2013 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2013 %	2012 %
<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	100
** Dragon Equipment & Materials Technology Ltd (Hong Kong)	Sale, distribution and acting as commission agent in equipment, materials and electronic components (Hong Kong)	100	100
*# Dragon Technology Distribution Pte Ltd (Singapore)	Sale, distribution and acting as commission agent in electronic components (Singapore)	–	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 Spire Technologies Pte Ltd</i>			
*** Spire Technologies (Taiwan) Ltd (Taiwan)	Importing, exporting, retailing and trading in electronic components and test consumables (Taiwan)	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
***# FE Global Electronics Korea Ltd (South Korea)	Trading in semiconductor components and electrical, electronic and electromechanical parts (South Korea)	–	100
**# Dragon Technology Distribution Sdn Bhd (Malaysia)	Agent and dealer in electrical and electronic components and products (Malaysia)	–	100
**# FE Global (North Asia) Limited (Hong Kong)	Investment holding and trading in electronic components (Hong Kong)	–	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. Group companies (cont'd)

(a) The significant subsidiary companies as at 31 December 2013 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2013 %	2012 %
<i>Held by FE-Decibels Electronics Pte Ltd</i>			
***# Dragon Technology Distribution Private Limited (India)	Sale, distribution and acting as commission agent in electronic components (India)	–	70
<i>Held by FE Global (North Asia) Limited</i>			
**# Dragon Technology Distribution (HK) Limited (Hong Kong)	Providing research and development services (Hong Kong)	–	100
**# FE Global Hong Kong Limited (Hong Kong)	Sale, distribution and acting as commission agent in electronic components (Hong Kong)	–	100
**# Flex-In Electronics Limited (Hong Kong)	Trading of electronics components (Hong Kong)	–	100
<i>Held by Dragon Technology Distribution (HK) Limited</i>			
***# Dragon Trading (Shanghai) Co., Ltd (People's Republic of China)	Import trading business and agency services (People's Republic of China)	–	100

(b) The significant associated company as at 31 December 2013 is as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2013 %	2012 %
<i>Held by Dragon Technology Distribution Pte Ltd</i>			
***# Dragon Technology Distribution (Thailand) Co., Ltd	Sale, distribution and acting as commission agent in electronic components (Thailand)	–	49

* Audited by Ernst & Young LLP, Singapore.

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

*** Audited by other Certified Public Accounting firms:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. Group companies (cont'd)

<u>Company</u>	<u>Certified Public Accounting firm</u>
Spire Technologies (Taiwan) Ltd	Link Chan & Co., Taiwan
Dragon Technology Distribution Private Limited	N. Madhu Sai Sankaram, India
Dragon Technology Distribution (Thailand) Co., Ltd	Kmet Consultant, Thailand
FE Global Electronics Korea Ltd	The 106th Audit Team, Korea
DTB Limited	Y.K Leung & Co., Hong Kong
Nanjing DTB Development Co., Ltd	Jiangsu Yonghe Certified Public Accountant Co., Ltd
Dragon Trading (Shanghai) Co., Ltd	Shanghai Hua Xia Certified Public Accountant Co., Ltd.

Companies belonging to Disposal Group classified as held for sale.

(c) Disposal group classified as held for sale

On 13 September 2012, the Group announced that it has entered into a conditional sale and purchase agreement with InflexionPoint Technologies Pte. Limited for the proposal disposal of all issued and paid up ordinary shares in the share capital of Dragon Technology Distribution Pte. Ltd. The disposal transaction was completed on 3 May 2013.

In accordance with FRS 105, Non-current Assets Held for Sale and Discontinued Operations, the results of the Disposal Group has been presented separately on the Consolidated Income Statement as "Discontinued Operations" for the financial years ended 31 December 2012 and 31 December 2013. On the Statement of Financial Position, the financial position of the Disposal Group as at 31 December 2012 was aggregated and presented as "Assets of disposal group classified as held for sale", "Liabilities of disposal group classified as held for sale" and "Reserves of disposal group classified as held for sale".

The values of assets, liabilities and reserves of the Disposal Group as at 31 December 2012 are as follows:

	Group 2012 US\$'000
Assets	
Property, plant and equipment (Note 3 and 13)	536
Stocks	23,624
Prepayments	190
Trade debtors	49,074
Other debtors	1,205
Deferred tax asset	213
Tax recoverable	70
Cash and bank balances	18,091
Total assets	93,003
Liabilities	
Amounts due to bankers	42,808
Trade creditors and accruals	27,570
Other creditors	2,792
Provision for taxation	215
Deferred tax liability	66
Total liabilities	73,451
Reserves	
Capital reserve	(422)
Foreign currency translation reserve	(6,081)
Total reserves*	(6,503)

*In accordance with FRS 21, the Group reclassified the reserve balances into income statement upon the completion of disposal in May 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. Group companies (cont'd)

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

The results for the Disposal Group for the years ended 31 December are as follows:

	2013 US\$'000	2012 US\$'000
Revenue	73,431	238,677
Cost of sales	(67,928)	(221,469)
Gross profit	5,503	17,208
Other income	82	312
Selling and marketing costs	(3,328)	(10,502)
General and administrative costs	(2,091)	(4,502)
Finance costs	(623)	(1,865)
Provision for loss on Disposal Group (Note 3 and 12)	–	(4,096)
Loss before taxation	(457)	(3,445)
Taxation	(113)	(267)
Loss after taxation	(570)	(3,712)

Provision for loss on Disposal Group arises from the impairment of intangible assets. This is to reduce the carrying amount of the assets in the Disposal Group to the fair value less costs to sell, as the consideration for the disposal deal is based on the value of the Net Tangible Asset as at completion date. The Group has recognised an additional impairment loss to write-down the carrying amount of goodwill in relation to the Disposal Group (Note 8).

The cash flows attributable to the Disposal Group for the years ended 31 December are as follows:

	2013 US\$'000	2012 US\$'000
Operating	6,288	5,367
Investing	(21)	(465)
Financing	3,356	(3,711)
Net cash inflow	9,623	1,191

5. Revenue

Revenue is analysed as follows:

	Group	
	2013 US\$'000	2012 US\$'000
Sale of goods	814	2,656

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

6. Other income

The following items have been included in arriving at other income:

	Group	
	2013 US\$'000	2012 US\$'000
Interest income		
- Fixed deposits and current accounts	77	67
Gain on disposal of property, plant and equipment	–	21
	<hr/>	<hr/>

7. Finance costs

Finance costs are analysed as follows:

	Group	
	2013 US\$'000	2012 US\$'000
Bank charges	2	12
	<hr/>	<hr/>

8. Exceptional items

Exceptional items are analysed as follows:

	Group	
	2013 US\$'000	2012 US\$'000
Loss on realisation of reserves on disposal of discontinued operations	6,545	–
Gain on disposal of subsidiaries	(1,099)	–
Loss on disposal of intangible assets	34	–
Impairment losses on available-for-sale financial assets	479	242
Legal and professional fees incurred on disposal deal	–	674
Management compensation	–	530
Impairment on goodwill in relation to Disposal Group	–	755
	<hr/>	<hr/>
	5,959	2,201
	<hr/>	<hr/>

9. Loss before taxation from continuing operations

The following items have been included in arriving at loss before taxation from continuing operations:

	Group	
	2013 US\$'000	2012 US\$'000
Depreciation of property, plant and equipment	176	181
Foreign exchange loss	103	292
(Reversal)/provision of stocks	(15)	207
Staff costs		
- Contributions to national pension schemes	42	38
- Salaries, wages, bonuses and other costs	931	1,491
Overseas travelling expenses	325	158
Rental expenses	65	47
Legal and professional fees	603	201
Audit fees ⁽¹⁾		
- Auditor of the Company	117	119
- Other auditors	23	22
Management fees	358	398
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

10. Taxation

The major components of income tax expense/(credit) for the years ended 31 December 2013 and 2012 are:

	Group	
	2013 US\$'000	2012 US\$'000
Current taxation		
- Singapore	24	4
- Other countries	(1)	5
Deferred taxation		
- Other countries	–	(359)
	23	(350)
Over provision in respect of prior years		
- Current taxation	–	(1)
	–	(1)
	23	(351)

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

	Group	
	2013 %	2012 %
Domestic statutory tax rate	(17.0)	(17.0)
Tax effect of:		
Income not subject to taxation	1.9	(0.3)
Expenses not deductible for tax purposes	14.4	17.4
Effect of tax exemption	(0.2)	(0.1)
Utilisation of losses brought forward	–	0.2
Different tax rates of other countries	0.1	(0.1)
Deferred tax assets not recognized	1.1	–
Others	–	(6.6)
Effective tax rate	0.3	(6.5)

The Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately US\$8,519,000 (2012: US\$8,271,000) and US\$239,000 (2012: US\$249,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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:

<u>Group</u>	Group	
	2013 US\$'000	2012 US\$'000
Net loss attributable to ordinary equity holders of the Company used in the computation of basic and diluted earnings per share	(9,317)	(8,602)
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	314,517	280,102
Adjusted weighted average number of ordinary shares in issue applicable to diluted earnings per share	314,517	320,102
	'000	'000
	Group	
	2013 US\$'000	2012 US\$'000
Net loss attributable to ordinary equity holders of the Company used in the computation of basic and diluted earnings per share	(8,700)	(4,779)
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	314,517	280,102
Adjusted weighted average number of ordinary shares in issue applicable to diluted earnings per share	314,517	320,102
	'000	'000
	Group	
	2013 US\$'000	2012 US\$'000
Net loss attributable to ordinary equity holders of the Company used in the computation of basic and diluted earnings per share	(617)	(3,823)
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	314,517	280,102
Adjusted weighted average number of ordinary shares in issue applicable to diluted earnings per share	314,517	320,102

The computation of weighted average number of shares takes into consideration the placement of 40,000,000 ordinary shares that had been allotted and issued to the placees on 20 February 2013, and the exercise by the warrant holders to subscribe for 5,000 and 59,950 ordinary shares on 6 December 2013 and 11 December 2013 respectively were also been taken accounted for.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

12. Intangible assets

Group	Project development expenditure (a) US\$'000	Goodwill US\$'000	Customer relationships US\$'000	Club memberships (b) US\$'000	Total US\$'000
Cost					
At 1 January 2012	543	4,606	4,115	262	9,526
Additions	315	—	—	—	315
Attributable to discontinued operations (Note 4c)	(858)	(3,851)	(4,115)	(75)	(8,899)
At 31 December 2012 and 1 January 2013	—	755	—	187	942
Additions	—	—	—	31	31
Disposal	—	—	—	(34)	(34)
Written off	—	(755)	—	—	(755)
At 31 December 2013	—	—	—	184	184
Accumulated amortisation and impairment					
At 1 January 2012	323	1,210	2,521	66	4,120
Amortisation	121	—	540	3	664
Impairment loss	44	755	—	—	799
Provision for loss on disposal (Note 4c)	370	2,641	1,054	31	4,096
Attributable to discontinued operations (Note 4c)	(858)	(3,851)	(4,115)	(75)	(8,899)
At 31 December 2012 and 1 January 2013	—	755	—	25	780
Amortisation	—	—	—	3	3
Written off	—	(755)	—	—	(755)
At 31 December 2013	—	—	—	28	28
Net carrying amount					
At 31 December 2013	—	—	—	156	156
At 31 December 2012	—	—	—	162	162

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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) Amortisation of club memberships is included in the "General and administrative costs" in the consolidated income statement.

	Company	
	2013 US\$'000	2012 US\$'000
Club memberships	99	102

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13. Property, plant and equipment

Group	Leasehold land and buildings US\$'000	Furniture and fittings US\$'000	Plant and machinery US\$'000	Office equipment US\$'000	Construction-in-progress ^(a) US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost							
At 1 January 2012	2,457	1,004	339	4,740	3,399	276	12,215
Additions	–	23	14	128	1,495	–	1,660
Disposals/write offs	–	(2)	(82)	(96)	–	(48)	(228)
Attributable to discontinued operations (Note 4c)	–	(617)	(3)	(3,755)	–	(133)	(4,508)
Currency realignment	34	5	8	19	47	5	118
At 31 December 2012 and 1 January 2013	2,491	413	276	1,036	4,941	100	9,257
Additions	–	–	–	5	628	–	633
Disposals/write offs	–	–	–	(4)	–	–	(4)
Currency realignment	71	–	8	1	142	2	224
At 31 December 2013	2,562	413	284	1,038	5,711	102	10,110
Accumulated depreciation and impairment							
At 1 January 2012	480	883	183	4,235	–	168	5,949
Charge for the year	117	55	26	196	–	42	436
Disposals/write offs	–	(2)	(81)	(92)	–	(48)	(223)
Attributable to discontinued operations (Note 4c)	–	(528)	(2)	(3,341)	–	(101)	(3,972)
Currency realignment	8	4	5	19	–	4	40
At 31 December 2012 and 1 January 2013	605	412	131	1,017	–	65	2,230
Charge for the year	116	–	26	18	–	16	176
Disposals/write offs	–	–	–	(4)	–	–	(4)
Currency realignment	19	1	5	–	–	1	26
At 31 December 2013	740	413	162	1,031	–	82	2,428
Net carrying amount							
At 31 December 2013	1,822	–	122	7	5,711	20	7,682
At 31 December 2012	1,886	1	145	19	4,941	35	7,027

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

Company	Office equipment US\$'000	Motor vehicle US\$'000	Total US\$'000
Cost			
At 1 January 2012, 31 December 2012 and 1 January 2013	51	47	98
Additions	3	–	3
Disposal	(2)	–	(2)
At 31 December 2013	52	47	99
Accumulated depreciation and impairment			
At 1 January 2012	47	12	59
Charge for the year	2	10	12
At 31 December 2012 and 1 January 2013	49	22	71
Charge for the year	1	10	11
Disposal	(1)	–	(1)
At 31 December 2013	49	32	81
Net carrying amount			
At 31 December 2013	3	15	18
At 31 December 2012	2	25	27

(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 2016 being the terminal year. The construction of the vessel is targeted for completion in 2016 and revenue generating activities will start thereafter. 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	
	2013 US\$'000	2012 US\$'000
Unquoted shares, at cost	2,282	36,173
Allowance for impairment	(1,571)	(2,786)
Carrying amount of investments	711	33,387
Movement in allowance account:		
At 1 January	2,786	2,530
Impairment for the year	–	256
Written off	(1,215)	–
At 31 December	1,571	2,786

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

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15. Available-for-sale financial assets

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Unquoted equity shares, at cost	12,648	12,670	6,746	6,746
Allowance for impairment	(12,648)	(12,206)	(6,746)	(6,282)
Quoted equity shares in corporations, at fair value	87	67	70	36
	87	531	70	500
Movement in allowance account:				
At 1 January	12,206	11,931	6,282	6,040
Charge for the year	464	242	464	242
Exchange differences	(22)	33	–	–
At 31 December	12,648	12,206	6,746	6,282

Impairment Losses

Impairment losses of US\$464,000 (2012: US\$242,000) and US\$15,000 (2012: US\$nil) for unquoted and quoted equity securities respectively were recognised as there were “significant” or “prolonged” decline in the fair value of these investments below their costs.

16. Other financial assets

	Group and Company	
	2013 US\$'000	2012 US\$'000
Loan to external party – nominal amounts	1,755	1,755
Allowance for impairment	(1,755)	(1,755)
	–	–

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

The loan extended to DAM as at 31 December 2013 amounted to US\$1,755,000 (2012: 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.

NOTES TO FINANCIAL STATEMENTS

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17. Amounts due from subsidiary companies

	Company	
	2013 US\$'000	2012 US\$'000
Amounts due from subsidiary companies	12,349	10,326
Allowance for impairment	(4,302)	(1,510)
	8,047	8,816
Disclosure in statement of financial position		
Non-current (quasi-equity)	5,504	5,504
Current	2,543	3,312
	8,047	8,816
Movement in allowance account:		
At 1 January	1,510	4,343
Charge for the year	2,794	64
Write-off for the year	–	(2,897)
Write-back for the year	(2)	–
	4,302	1,510

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\$2,794,000 (2012: US\$64,000) on the amounts due from subsidiary companies as a result of the deteriorating financial results and financial positions of the subsidiary companies.

18. Other debtors

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Other debtors (Current):				
Deposits	10	28	6	13
Interest receivable	–	579	–	–
Due from related parties	39	32	7	–
Sundry debtors	276	93	19	46
Proceeds from disposal of discontinued operations	1,842	–	1,842	–
	2,167	732	1,874	59
Allowance for doubtful debts	–	(594)	–	(16)
	2,167	138	1,874	43
Other debtors (Non-current):				
Proceeds from disposal of discontinued operations	1,842	–	1,842	–
	1,842	–	1,842	–
Total other debtors (Current and Non-current):	4,009	138	3,716	43

NOTES TO FINANCIAL STATEMENTS

31 December 2013

18. Other debtors (cont'd)

Other debtors includes proceeds of US\$3,684,000 (2012: US\$nil) from the disposal of the discontinued operations. A portion of the proceeds amounted to US\$1,842,000 will be collected after twelve months from the balance sheet date and is being classified as non-current asset.

Sundry debtors includes a loan of US\$161,000 (2012: US\$nil) to a third party. The loan is unsecured, bears interest at market rates and repayable upon demand in cash.

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

The amounts due from related parties 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	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Movement in allowance account:				
At 1 January	594	594	16	16
Charge for the year	–	230	–	–
Written back	(16)	–	(16)	–
Written off	(578)	–	–	–
Attributable to discontinued operations	–	(230)	–	–
At 31 December	–	594	–	16

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

	Group	
	2013 US\$'000	2012 US\$'000
United States Dollar	33	–
Singapore Dollar	12	–

19. Stocks

	Group	
	2013 US\$'000	2012 US\$'000
Statement of financial position		
Raw materials (at cost)	379	363
Finished goods (at cost or net realisable value)	16	23
	395	386
Income statement		
Stocks recognised as an expense in cost of sales	585	2,299
Inclusive of the following charge/(credit):		
- Stocks provision	–	207
- Reversal of provision of stocks	(15)	–

The reversal of provision of stocks was made when the related stocks were sold above their carrying amounts in 2013.

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20. Amount due from holding company

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Amount due from holding company	927	–	925	–

The amount due from holding company includes an unsecured loan of US\$900,000 (2012: US\$nil). The loan due from holding company is interest bearing at an interest of 4% per annum and repayable on 30 June 2014 in cash.

21. Trade debtors

	Group	
	2013 US\$'000	2012 US\$'000
Trade debtors	518	4,393
Allowance for doubtful debt	(418)	(4,210)
	100	183

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.

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

	Group	
	2013 US\$'000	2012 US\$'000
United States Dollar	62	49

(a) Trade debtors ageing

	Group 2013			Group 2012		
	Gross US\$'000	Allowance US\$'000	Net US\$'000	Gross US\$'000	Allowance US\$'000	Net US\$'000
Not past due	36	–	36	–	–	–
Less than 30 days	44	–	44	146	–	146
30 to 60 days	18	–	18	20	–	20
61 to 90 days	2	–	2	5	–	5
More than 90 days	418	(418)	–	4,222	(4,210)	12
	518	(418)	100	4,393	(4,210)	183

NOTES TO FINANCIAL STATEMENTS

31 December 2013

21. Trade debtors (cont'd)

(b) Analysis of allowance for doubtful trade debts

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

	Group	
	2013 US\$'000	2012 US\$'000
Movement in allowance account:		
At 1 January	4,210	4,909
Write-back for the year	(5)	(21)
Written off	(3,789)	(35)
Attributable to discontinued operations	–	(643)
Currency realignment	2	–
	<hr/>	<hr/>
At 31 December	418	4,210
	<hr/>	<hr/>

(c) Trade debtors that are impaired

Trade debtors that were individually determined to be impaired at 31 December 2013 were related to debtors that were in significant financial difficulties and have defaulted on payments. Debtors are not secured by any collateral or credit enhancements.

22. Cash and bank balances

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Cash at bank and on hand	3,187	5,061	2,461	4,392
Fixed deposits	13,022	962	13,022	–
	<hr/>	<hr/>	<hr/>	<hr/>
	16,209	6,023	15,483	4,392
	<hr/>	<hr/>	<hr/>	<hr/>

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

Fixed deposits of the Group with financial institutions mature within 1 month (2012: 3 months) from the financial year end. Interest rate for the Group is from 0.35% to 0.7% (2012: 2.86%) per annum.

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

	2013 US\$'000	2012 US\$'000
Cash and bank balances from continuing operations	16,209	6,023
Cash and bank balances from discontinued operations	–	18,091
Less: Pledged fixed deposits	–	(1,407)
	<hr/>	<hr/>
Cash and cash equivalents	16,209	22,707
	<hr/>	<hr/>

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

	Group	
	2013 US\$'000	2012 US\$'000
United States Dollar	352	284
Singapore Dollars	1,481	3,424
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2013

23. Trade creditors and accruals

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Trade creditors	147	167	–	–
Accruals	392	1,742	316	1,687
	<hr/>		<hr/>	
	539	1,909	316	1,687

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

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

	Group	
	2013 US\$'000	2012 US\$'000
United States Dollar	57	60

24. Other creditors

	Group		Company	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Proposed Directors' fees	142	160	142	160
Advance of proceeds from placement shares	–	3,273	–	3,273
Sundry creditors	307	245	56	79
Due to a related party	3	25	4	25
	<hr/>		<hr/>	
	452	3,703	202	3,537

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

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

	Group	
	2013 US\$'000	2012 US\$'000
Singapore dollars	56	3,539
Thai baht	3	–

25. 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.

NOTES TO FINANCIAL STATEMENTS

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26. 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 as at 31 December 2012 for which interest was charged at 4.5% per annum.

27. Share capital

	Group and Company	
	2013	2012
	US\$'000	US\$'000
Issued and fully paid		
At 1 January and 31 December	58,175	54,928

Placement of shares

On 20 February 2013, the Company allotted and issued 40,000,000 new ordinary shares in the share capital of the Company at the issue price of S\$0.10 for each new share for cash.

Exercise of warrants

On 6 December 2013 and 11 December 2013, the Company allotted and issued 5,000 and 59,950 shares respectively pursuant to the exercise of Company's warrants.

	Group and Company	
	2013	2012
	No. of shares '000	No. of shares '000
Issued and fully paid		
At 1 January and 31 December	320,167	280,102

28. Capital reserve

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

29. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

30. Contingent liabilities

	Company	
	2013 US\$'000	2012 US\$'000
Contingent liabilities not provided for in the financial statements:		
- Corporate guarantees given to secure banking facilities for subsidiary companies	–	42,808
- Corporate guarantees given to secure supply of goods for subsidiary companies	–	10,721
	–	53,529

Corporate guarantees given by the Company to its subsidiary companies were released after the completion of the disposal deal.

31. 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	
	2013 US\$'000	2012 US\$'000
Not later than one year	9	19
	9	19

Rental expenses (principally for premises, machinery and equipment and internet lease lines) were US\$65,000 (2012: US\$47,000).

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 4 years (2012: 1 to 4 years) and at rental rates based on negotiations and prevailing market rates.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

32. 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	
	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Holding company				
Management fee expense	358	398	358	398
Related companies				
Purchases	9	46	–	–
Subsidiary companies				
Management fee income	–	–	25	25
Interest expense	–	–	–	508
Associated company				
Commission expense	–	95	–	–
Other related parties				
Sales ⁽¹⁾	–	225	–	–

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

(b) Compensation of key management personnel

	Group	
	2013 US\$'000	2012 US\$'000
Short-term employee benefits	1,413	1,171
Defined contribution benefits	18	17
Other short-term benefits	117	150
	1,548	1,338
Comprise amounts paid to:		
Directors of the Company	1,336	566
Other key management personnel	212	772
	1,548	1,338

At 1 January and 31 December 2013, 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 2013, no share options have been granted to the Company's Directors.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

33. 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) 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.

Group 2013	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Financial assets				
Available-for-sale financial assets	–	–	87	87
Amount due from holding company	927	–	–	927
Trade debtors	100	–	–	100
Other debtors	2,167	1,842	–	4,009
Cash and bank balances	16,209	–	–	16,209
Total undiscounted financial assets	19,403	1,842	87	21,332
Financial liabilities				
Trade creditors and accruals	539	–	–	539
Other creditors	452	–	–	452
Amount due to holding company	406	–	–	406
Total undiscounted financial liabilities	1,397	–	–	1,397
Total net undiscounted financial assets	18,006	1,842	87	19,935

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

(a) Liquidity risk (cont'd)

Company 2013	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Financial assets				
Available-for-sale financial assets	–	–	70	70
Amount due from holding company	925	–	–	925
Amounts due from subsidiary companies	2,543	–	5,504	8,047
Other debtors	1,874	1,842	–	3,716
Cash and bank balances	15,483	–	–	15,483
Total undiscounted financial assets	20,825	1,842	5,574	28,241
Financial liabilities				
Trade creditors and accruals	316	–	–	316
Other creditors	202	–	–	202
Amount due to holding company	406	–	–	406
Amounts due to subsidiary companies	2,356	–	–	2,356
Total undiscounted financial liabilities	3,280	–	–	3,280
Total net undiscounted financial assets	17,545	1,842	5,574	24,961

Group 2012	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Financial assets				
Available-for-sale financial assets	–	–	531	531
Trade debtors	183	–	–	183
Other debtors	138	–	–	138
Cash and bank balances	6,023	–	–	6,023
Total undiscounted financial assets	6,344	–	531	6,875
Financial liabilities				
Trade creditors and accruals	1,909	–	–	1,909
Other creditors	3,703	–	–	3,703
Amount due to holding company	110	–	–	110
Total undiscounted financial liabilities	5,722	–	–	5,722
Total net undiscounted financial assets	622	–	531	1,153

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

(a) Liquidity risk (cont'd)

Company 2012	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Financial assets				
Available-for-sale financial assets	–	–	500	500
Amounts due from subsidiary companies	3,312	–	5,504	8,816
Other debtors	43	–	–	43
Cash and bank balances	4,392	–	–	4,392
Total undiscounted financial assets	7,747	–	6,004	13,751
Financial liabilities				
Trade creditors and accruals	1,687	–	–	1,687
Other creditors	3,537	–	–	3,537
Amount due to holding company	110	–	–	110
Amounts due to subsidiary companies	19,418	–	–	19,418
Total undiscounted financial liabilities	24,752	–	–	24,752
Total net undiscounted financial (liabilities)/assets	(17,005)	–	6,004	(11,001)

(b) 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:

	Group			
	2013 US\$'000	% of total	2012 US\$'000	% of total
By Region:				
Greater China	92	92%	170	93%
Singapore	–	–	8	4%
Malaysia	8	8%	5	3%
	100	100%	183	100%

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31 December 2013

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

(b) Credit risk (cont'd)

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 30).

There is no significant credit risk exposure faced by the Group in 2013 and 2012. Almost all of the Company's receivables were balances with subsidiary companies and receivable of proceeds from the disposal deal in 2013.

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.

(c) 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. The Group's investments in these foreign operations are not hedged as currency positions in Renminbi ("RMB") is considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

		Group Net profit	
		2013	2012
		US\$'000	US\$'000
USD	Strengthened by 2% (2012: 2%)	7	16
	Weakened by 2% (2012: 2%)	(7)	(16)
SGD	Strengthened by 2% (2012: 2%)	23	(3)
	Weakened by 2% (2012: 2%)	(23)	3

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34. Financial Instruments

(a) Categories of financial instruments

	Note	Group		Company	
		2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Loans and receivables					
Amounts due from subsidiary companies	17	–	–	8,047	8,816
Amount due from holding company	20	927	–	925	–
Trade debtors	21	100	183	–	–
Other debtors	18	4,009	138	3,716	43
Cash and bank balances	22	16,209	6,023	15,483	4,392
		21,245	6,344	28,171	13,251
Financial liabilities measured at amortised cost					
Trade creditors and accruals	23	539	1,909	316	1,687
Other creditors	24	452	3,703	202	3,537
Amount due to holding company	25	406	110	406	110
Amounts due to subsidiary companies	26	–	–	2,356	19,418
		1,397	5,722	3,280	24,752
Available-for-sale financial assets	15	87	531	70	500

(b) Fair values of financial instruments

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34. Financial Instruments (cont'd)

(b) Fair values of financial instruments (cont'd)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group		Company	
	2013 US\$'000			
Fair value measurements at the end of the reporting period using:				
	Quoted prices in active markets for identical instruments (Level 1)	Total	Quoted prices in active markets for identical instruments (Level 1)	Total
Recurring fair value measurements				
Financial assets				
<u>Available-for-sale financial assets (Note 15)</u>				
Equity securities				
<i>Quoted equity securities</i>	87	87	70	70
Total equity securities and financial assets as at 31 December 2013	87	87	70	70

35. Capital management

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

The Group monitors its monthly cash flows and also 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 issue new shares.

No changes were made in the objectives, policies and processes during the years ended 31 December 2013 and 31 December 2012.

36. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 2 April 2014.



APPENDIX 3

DRAGON GROUP INTERNATIONAL LIMITED ■ ANNUAL REPORT 2013

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 21 March 2014

Number of Equity Securities	:	320,166,733
Number of Treasury Shares	:	Nil
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1,723	48.25	665,180	0.21
1,000 - 10,000	1,242	34.78	3,731,323	1.17
10,001 - 1,000,000	583	16.33	52,067,082	16.26
1,000,001 and above	23	0.64	263,703,148	82.36
Total	3,571	100.00	320,166,733	100.00

TWENTY LARGEST SHAREHOLDERS

S/No	Name	No. of Shares	%
1.	ASTI Holdings Limited	142,579,302	44.53
2.	United Overseas Bank Nominees (Private) Limited	17,739,950	5.54
3.	Soh Pock Kheng	15,200,000	4.75
4.	HL Bank Nominees (Singapore) Pte Ltd	12,000,000	3.75
5.	Citibank Nominees Singapore Pte Ltd	11,301,750	3.53
6.	DB Nominees (Singapore) Pte Ltd	8,751,150	2.73
7.	Maybank Kim Eng Securities Pte. Ltd.	8,237,197	2.57
8.	OCBC Securities Private Limited	6,890,000	2.15
9.	Loo Tze Kian	6,449,000	2.01
10.	ABN AMRO Clearing Bank N.V.	6,344,000	1.98
11.	Chu Meng Chee	4,500,000	1.41
12.	Ramesh s/o Pritamdas Chandiramani	3,949,000	1.23
13.	Phillip Securities Pte Ltd	2,967,740	0.93
14.	Fiona Soh Siok Lan	2,723,000	0.85
15.	Merrill Lynch (Singapore) Pte Ltd	2,070,600	0.65
16.	Lim & Tan Securities Pte Ltd	1,842,000	0.58
17.	Lim Hock Guan	1,823,000	0.57
18.	Quek Kiok Han	1,800,000	0.56
19.	DBS Nominees (Private) Limited	1,623,609	0.51
20.	Sunshine Bay Limited	1,417,500	0.44
	Total	260,208,798	81.27

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

	Direct Interest	%	Deemed Interest	%
ASTI Holdings Limited	142,579,302	44.53	-	-

PERCENTAGE SHAREHOLDING IN PUBLIC'S HAND (RULE 723)

55% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.



APPENDIX 4

DRAGON GROUP INTERNATIONAL LIMITED ■ ANNUAL REPORT 2013

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 Blk 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Tuesday, 29 April 2014 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 2013 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	(Retiring under Article 103)	(Resolution 2)
Mr. Mohd. Sopiyan B. Mohd. Rashdi	(Retiring under Article 103)	(Resolution 3)

[Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$178,000 for the year ended 31 December 2013 (2012: S\$178,000). **(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, Chapter. 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 (ii)]

(Resolution 6)

By Order of the Board

Dayne Ho Chung Wei
Secretary

Singapore, 11 April 2014

Explanatory Notes:

- (i) Mr. Timothy Lim Boon Liat will, upon re-election as a Director of the Company, be considered non-independent. Mr. Timothy Lim Boon Liat is an Executive Director of the Company. He does not have any relationships, including family relationships with the Directors of the Group or the Company's 10% Shareholders.

Mr. Mohd. Sopiyan B. Mohd. Rashdi will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees and will be considered independent. Mr. Mohd. Sopiyan B. Mohd. Rashdi does not have any relationships, including family relationships with the Directors of the Group, the Company or its 10% Shareholders.

- (ii) 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 2013

PROXY FORM

DRAGON GROUP INTERNATIONAL LIMITED

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

IMPORTANT:

- 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.
- 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.
- 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.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 Blk 25, Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416 on Tuesday, 29 April 2014 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.	Adoption of Directors' Report and Audited Financial Statements for the year ended 31 December 2013		
2.	Re-election of Mr Timothy Lim Boon Liat as a Director of the Company		
3.	Re-election of Mr Mohd. Sopiyan B. Mohd. Rashdi as a Director of the Company		
4.	Approval of Directors' fees amounting to S\$178,000		
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration		
6.	Authority to issue shares		

Dated this _____ day of _____ 2014

 Signature of Shareholder(s)/ Common Seal of Corporate Shareholder

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

* Delete where inapplicable

Important: Please read notes overleaf

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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