



**DRAGON GROUP INTERNATIONAL LIMITED**

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

**Results For The Financial Period Ended 30 June 2010**  
**Unaudited Financial Statements And Dividend Announcement**

The Directors are pleased to make the following announcement of the unaudited results for the financial period ended 30 June 2010.

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

	<b>Group</b>					
	<b>Second Quarter Ended</b>			<b>First Half Ended</b>		
	US\$'000		%	US\$'000		%
	30/06/10	30/06/09	Change	30/06/10	30/06/09	Change
Revenue	43,739	58,412	-25%	99,748	112,642	-11%
Cost of sales	(38,989)	(51,798)	-25%	(89,877)	(100,047)	-10%
<b>Gross profit</b>	<b>4,750</b>	<b>6,614</b>	<b>-28%</b>	<b>9,871</b>	<b>12,595</b>	<b>-22%</b>
Other operating income	434	198	nm	511	314	63%
Selling and marketing costs	(2,587)	(2,557)	1%	(4,628)	(5,526)	-16%
General and administrative costs	(1,872)	(2,839)	-34%	(4,290)	(6,077)	-29%
Foreign currency exchange loss	(104)	(261)	-60%	(93)	(286)	-67%
Total operating expenses	(4,563)	(5,657)	-19%	(9,011)	(11,889)	-24%
<b>Operating profit</b>	<b>621</b>	<b>1,155</b>	<b>-46%</b>	<b>1,371</b>	<b>1,020</b>	<b>34%</b>
Finance costs	(565)	(728)	-22%	(1,180)	(1,457)	-19%
Exceptional items	-	(92)	nm	-	(252)	nm
Share of net loss of associated companies	-	(35)	nm	(9)	(34)	-74%
<b>Profit/(loss) before taxation</b>	<b>56</b>	<b>300</b>	<b>-81%</b>	<b>182</b>	<b>(723)</b>	<b>nm</b>
Taxation	1	(458)	nm	(53)	(576)	-91%
<b>Profit/(loss) after taxation</b>	<b>57</b>	<b>(158)</b>	<b>nm</b>	<b>129</b>	<b>(1,299)</b>	<b>nm</b>
<b>Attributable to:</b>						
Equity holders of the Group	7	(69)	nm	124	(1,105)	nm
Minority interest	50	(89)	nm	5	(194)	nm
	<b>57</b>	<b>(158)</b>	<b>nm</b>	<b>129</b>	<b>(1,299)</b>	<b>nm</b>

nm - Not meaningful



**Results For The Financial Period Ended 30 June 2010**  
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1(a) (ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

**Notes to Income Statement**

<b>Group</b>						
<b>Second Quarter Ended</b>			<b>First Half Ended</b>			
US\$'000		%	US\$'000		%	
30/06/10	30/06/09	Change	30/06/10	30/06/09	Change	
Interest on borrowing	(449)	(501)	-10%	(889)	(1,045)	-15%
Depreciation and amortisation	(342)	(721)	-53%	(731)	(1,428)	-49%
Provision for doubtful debts	70	(39)	nm	27	(234)	nm
Provision for stock obsolescence	656	(209)	nm	851	(546)	nm
<b>Exceptional Items:</b>						
Severance Payments	-	(92)	nm	-	(252)	nm

nm - Not meaningful

1(a) (iii) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

**Net profit/(loss) for the period**

**Other comprehensive income:-**

Foreign currency translation  
 Realisation of reserve of disposal group classified as held for sale

**Total comprehensive income for the period**

**Total comprehensive income attributable to :-**

Members of the Company  
 Minority interests

<b>Group</b>					
<b>Second Quarter Ended</b>			<b>First Half Ended</b>		
US\$'000		%	US\$'000		%
30/06/10	30/06/09	Change	30/06/10	30/06/09	Change
57	(158)	nm	129	(1,299)	nm
166	440	-62%	120	28	nm
-	-	nm	439	-	nm
<b>223</b>	<b>282</b>	<b>nm</b>	<b>688</b>	<b>(1,271)</b>	<b>nm</b>
156	328	-52%	663	(1,073)	nm
67	(46)	nm	25	(198)	nm
<b>223</b>	<b>282</b>	<b>nm</b>	<b>688</b>	<b>(1,271)</b>	<b>nm</b>

nm - Not meaningful



**Results For The Financial Period Ended 30 June 2010**  
**Unaudited Financial Statements And Dividend Announcement**

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

	<b>Group</b>		<b>Company</b>	
	US\$'000		US\$'000	
	30/06/10	31/12/09	30/06/10	31/12/09
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	6,320	6,604	102	102
Property, plant and equipment	4,430	4,691	2	2
Investment in subsidiary companies	-	-	33,122	33,122
Investment in associated companies	-	9	-	-
Available-for-sale financial assets	978	978	934	934
Amount due from subsidiary companies	-	-	5,970	5,970
	<b>11,728</b>	<b>12,282</b>	<b>40,130</b>	<b>40,130</b>
<b>Current assets</b>				
Stocks	20,190	17,412	-	-
Prepayments	499	512	34	62
Amount due from subsidiary companies	-	-	1,303	1,638
Trade debtors	46,723	50,252	-	-
Other debtors	2,612	2,461	168	85
Tax recoverable	3	11	-	-
Cash and bank balances	18,565	18,771	1,591	154
	<b>88,592</b>	<b>89,419</b>	<b>3,096</b>	<b>1,939</b>
Assets of disposal group classified as held for sale	-	9,398	-	-
	<b>88,592</b>	<b>98,817</b>	<b>3,096</b>	<b>1,939</b>
<b>TOTAL ASSETS</b>	<b>100,320</b>	<b>111,099</b>	<b>43,226</b>	<b>42,069</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Amount due to bankers	19,520	23,632	538	1,613
Bill payable to banks	17,867	15,361	-	-
Trade creditors and accruals	29,605	34,742	234	229
Other creditors	3,864	4,364	232	209
Amount due to holding Company	4,823	5,582	939	732
Amount due to subsidiary companies	-	-	13,610	10,344
Convertible loans	554	554	554	554
Provision for taxation	837	842	6	18
	<b>77,070</b>	<b>85,077</b>	<b>16,113</b>	<b>13,699</b>
Liabilities directly associated with disposal group classified as held for sale	-	3,226	-	-
	<b>77,070</b>	<b>88,303</b>	<b>16,113</b>	<b>13,699</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>11,522</b>	<b>10,514</b>	<b>(13,017)</b>	<b>(11,760)</b>
<b>Non-current liabilities</b>				
Amount due to bankers	513	590	-	-
Amount due to subsidiary companies	-	-	8,867	8,867
Deferred taxation	581	654	-	-
Lease creditors	-	68	-	-
Long-term payables	360	376	-	-
	<b>1,454</b>	<b>1,688</b>	<b>8,867</b>	<b>8,867</b>
<b>TOTAL LIABILITIES</b>	<b>78,524</b>	<b>89,991</b>	<b>24,980</b>	<b>22,566</b>
<b>NET ASSETS</b>	<b>21,796</b>	<b>21,108</b>	<b>18,246</b>	<b>19,503</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	41,844	41,844	41,844	41,844
Capital reserve	2,140	2,140	-	-
Foreign currency translation reserve	(6,146)	(6,246)	-	-
Accumulated losses	(20,223)	(20,347)	(23,598)	(22,341)
Reserve of disposal group classified as held for sale	-	(439)	-	-
	<b>17,615</b>	<b>16,952</b>	<b>18,246</b>	<b>19,503</b>
Minority interest	4,181	4,156	-	-
<b>TOTAL EQUITY</b>	<b>21,796</b>	<b>21,108</b>	<b>18,246</b>	<b>19,503</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100,320</b>	<b>111,099</b>	<b>43,226</b>	<b>42,069</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

As at 30/06/2010		As at 31/12/2009	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	19,520	-	23,632

**Amount repayable after one year**

As at 30/06/2010		As at 31/12/2009	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	513	-	590

**Details of any collateral**

Not applicable

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

**Cashflow from operating activities**

Operating profit/(loss) before taxation

Adjustment for:-

Non cash items

**Operating cash flow before reinvestment in working capital**

Movement in working capital

**Cash used in operations**

Interest paid

Interest received

Tax paid

**Net cash used in operating activities**

**Cashflow from investing activities**

Proceeds on disposal of property, plant and equipment

Purchase of property, plant and equipment

Proceeds from sale of associate

Proceeds from sale of subsidiaries

Project development expenditure

Additional in other investment

**Net cash generated from /(used in) investing activities**

**Cashflow from financing activities**

Repayment to lease creditors

Change in amount due to holding company

Change in amounts due to bankers

**Net cash (used in)/generated from financing activities**

**Net decrease in cash and cash equivalents**

Cash and cash equivalents at beginning of year

Effect of exchange rate changes on cash and cash equivalents

**Cash and cash equivalents at 30 June**

Group	
US\$'000	
30/06/10	30/06/09
182	(723)
1,593	2,402
<b>1,775</b>	<b>1,679</b>
(3,406)	(2,632)
<b>(1,631)</b>	<b>(953)</b>
(889)	(1,045)
47	100
(117)	(816)
<b>(2,590)</b>	<b>(2,714)</b>
47	60
(133)	(426)
-	20
5,028	-
(21)	(103)
-	(30)
<b>4,921</b>	<b>(479)</b>
(86)	(40)
(758)	634
(1,683)	64
<b>(2,527)</b>	<b>658</b>
<b>(196)</b>	<b>(2,535)</b>
18,771	24,225
(10)	8
<b>18,565</b>	<b>21,698</b>

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, current accounts with banks and short term deposits. Cash and cash equivalents included in the consolidated cash flow statement comprise the following amount in the statement of financial position:

Cash and bank balances	18,565	21,698
Less: Pledged fixed deposit	(1,400)	-
	<u>17,165</u>	<u>21,698</u>



**Results For The Financial Period Ended 30 June 2010**  
**Unaudited Financial Statements And Dividend Announcement**

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

**Group**

**At 1 January 2010**

Total comprehensive income for the period

**Balance as at 30 June 2010**

Attributable to equity holders of the company							
Share Capital	Capital Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Reserve of disposal group classified as held for sale	Equity attributable to owners of parent, Total	Minority Interest	Equity Total
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
41,844	2,140	(6,246)	(20,347)	(439)	16,952	4,156	21,108
-	-	100	124	439	663	25	688
<b>41,844</b>	<b>2,140</b>	<b>(6,146)</b>	<b>(20,223)</b>	<b>-</b>	<b>17,615</b>	<b>4,181</b>	<b>21,796</b>

**Group**

**At 1 January 2009**

Total comprehensive income for the period

**Balance as at 30 June 2009**

Attributable to equity holders of the company							
Share Capital	Capital Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Reserve of disposal group classified as held for sale	Equity attributable to owners of parent, Total	Minority Interest	Equity Total
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
41,844	2,140	(7,102)	(13,337)	-	23,545	5,103	28,648
-	-	32	(1,105)	-	(1,073)	(198)	(1,271)
<b>41,844</b>	<b>2,140</b>	<b>(7,070)</b>	<b>(14,442)</b>	<b>-</b>	<b>22,472</b>	<b>4,905</b>	<b>27,377</b>



Results For The Financial Period Ended 30 June 2010  
Unaudited Financial Statements And Dividend Announcement

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

**Company**

**At 1 January 2010**

Total comprehensive income for the period

**Balance as at 30 June 2010**

Share Capital US\$'000	Accumulated Losses US\$'000	Total US\$'000
41,844	(22,341)	19,503
-	(1,257)	(1,257)
<b>41,844</b>	<b>(23,598)</b>	<b>18,246</b>

**Company**

**At 1 January 2009**

Total comprehensive income for the period

**Balance as at 30 June 2009**

Share Capital US\$'000	Accumulated Losses US\$'000	Total US\$'000
41,844	(12,641)	29,203
-	(1,228)	(1,228)
<b>41,844</b>	<b>(13,869)</b>	<b>27,975</b>

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

During the financial period, there was no change in the Company's share capital.

Under the Dragon Executives' Share Option Scheme (the "ESOS"), there are no unissued ordinary shares as at 30 June 2010. (31 December 2009: nil unissued ordinary shares).

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

	Group		Company	
	30/06/10	31/12/09	30/06/10	31/12/09
Total number of issued shares	224,081,456	224,081,456	224,081,456	224,081,456
Less: Treasury shares	-	-	-	-
Total number of issued shares excluding treasury shares	224,081,456	224,081,456	224,081,456	224,081,456

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

Not applicable.

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

These figures have not been audited nor reviewed by the auditors.

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

Not applicable.

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

The Group has adopted the revised FRS 103 Business Combinations and the amendments to FRS 27 Consolidated and Separate Financial Statements for the financial period ended 30 June 2010. The revised standards are effective for annual periods beginning on or after 1 July 2009.

The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the Amendments to FRS 27 changes the way in which losses incurred by subsidiaries as well as the losses over control of subsidiaries are accounted for.

**4. Whether the same accounting policies and methods of computation as in the Company's most recently audited annual financial statements have been applied. (Cont'd)**

As a result of the abovementioned revisions, other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures.

The abovementioned changes will have no impact on the current financial position and results of the Group. However, these changes will affect future acquisitions or loss of control and transactions with minority interests.

Saved as the changes disclosed above, the Group has applied accounting policies and methods of computation in the financial statements for the period ended 30 June 2010, consistent with those of the audited financial statement as at 31 December 2009.

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

See paragraph 4 above.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

	Group	
	30/06/10	30/06/09
Earnings per ordinary share for the year based on net profit attributable to shareholders after deducting any provision for preference dividends:-		
a) Based on weighted average number of ordinary shares in issue	0.06 cents	(0.49) cents
Weighted average number of shares	224,081,456	224,081,456
b) On a fully diluted basis	0.06 cents	(0.49) cents
Adjusted weighted average number of shares	224,081,456	224,081,456

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

Net assets value per ordinary share based on issued share capital as at the end of the period reported on

Group		Company	
30/06/10	31/12/09	30/06/10	31/12/09
7.86 cents	7.57 cents	8.14 cents	8.70 cents

Net assets value for the Group and the Company per ordinary share was calculated based on 224,081,456 ordinary shares as at 30 June 2010 and 31 December 2009.





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

#### **COMPREHENSIVE INCOME STATEMENT REVIEW**

##### **Revenue**

The deferment of the telecommunication infrastructure projects in China resulted in softer demand for our business. This led to the reduction of the Group's revenue from \$58.4 million to \$43.7 million in 2Q2010. Correspondingly, for 1H2010, the Group's revenue was also lower by 11.4% from \$112.6 million to \$99.7 million.

##### **Gross profit margin**

Gross profit margin was marginally lower at 10.9% in 2Q2010 mainly due to a change in the product mix. Gross profit reduced by 28.2% to \$4.8 million compared to 2Q2009 due to lower revenue in the current quarter.

##### **Operating Expenses**

Operating expenses declined by 19.3% to \$4.6 million in 2Q2010 compared to \$5.7 million in 2Q2009. The reductions were a result of the Group's continuous effort to focus on cost-efficiency management, which includes the streamlining of operations and the cessation of non-core businesses.

Financing costs reduced by 22.4% to \$0.6 million in 2Q2010, mainly due to lower bank borrowings.

##### **Operating profit**

Following the lower gross profit, operating profit reduced from \$1.2 million to \$0.6 million in 2Q2010. However, for 1H2010, operating profit rose by 34.4% to \$1.4 million due to improved operating efficiencies.

##### **Profit/(Loss) before taxation**

The Group turned into a profit before tax of \$0.2 million in 1H2010 compared to the loss of \$0.7 million in 1H2009.

#### **FINANCIAL POSITION STATEMENT REVIEW**

##### **Stocks**

Stocks increased by \$2.8 million to \$20.2 million as at 30 June 2010 mainly due to the lower consumption by customers in the current quarter as a result of deferred telecommunication infrastructure projects in the China market.

##### **Trade debtors**

Trade debtors decreased by \$3.5 million to \$46.7 million as at 30 June 2010 as a result of lower revenue recorded in the current period.

##### **Bill payable and Amount due to bankers**

Total amount due to bankers decreased by \$1.7 million to \$37.9 million as at 30 June 2010 mainly due to repayments of bank borrowings during the period.

##### **Trade creditors and accruals**

Trade creditors and accruals decreased by \$5.1 million to \$29.6 million as at 30 June 2010 in line with the lower purchases in the current period.



## 9. CASH FLOW STATEMENT REVIEW

A total of \$2.6 million was used in operating activities and \$5.0 million received from the disposal of subsidiary companies. Bank borrowings were reduced by \$1.7 million. Cash and cash equivalents amounted to \$18.6 million as at 30 June 2010.

The Group is not exposed to any derivative contracts and not under any due distress from financial institutions and creditors on repayment. The Group expects to service its loan repayment commitments as and when they fall due and has sufficient funds to support its operations.

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

The actual results were in line with the prospect statement stated in the previous announcement.

## 10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 month**

While the Group was marginally profitable in the second quarter, it remains cautious about its performance in the third quarter in view of the uncertainties surrounding the economic recovery.

In view of these uncertainties, the Group will continue with its cost-efficiency management and strengthen its operations and competitive capabilities.

## 11. Dividend

### ***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

None

### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

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

None

### ***(c) Date Payable***

Not applicable

### ***(d) Books closure date***

Not applicable

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

No dividend has been declared.



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**13. Segmental revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable to quarterly announcement.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segment**

Please refer to note 8.

**15. A breakdown of sales**

Not applicable to quarterly announcement.

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable to quarterly announcement.

**17. Director's Confirmation**

We, Michael Loh Soon Gnee and Timothy Lim Boon Liat, being two directors of Dragon Group International Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial statements for half year ended 30 June 2010 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Dato' Michael Loh  
Chairman & CEO  
**13th August 2010**