Annual Reports and Related Documents::

Issuer & Securities

Issuer/ Manager	DRAGON GROUP INTL LIMITED
Securities	DRAGON GROUP INTL LIMITED - SG2C50963991 - MT1
Stapled Security	No

Announcement Details

Announcement Title	Annual Reports and Related Documents
Date & Time of Broadcast	12-Apr-2016 18:06:14
Status	New
Report Type	Annual Report
Announcement Reference	SG160412OTHRBATF
Submitted By (Co./ Ind. Name)	DATO MICHAEL LOH SOON GNEE
Designation	EXECUTIVE CHAIRMAN & CEO
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please refer to the attachment.

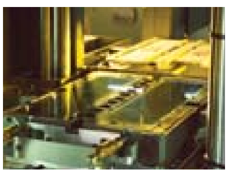
Additional Details

Period Ended	31/12/2015
Attachments	DGI AR2015 Corporate Web Version.pdf Total size =1040K

GROWTH

annual 2015 report

DRAGON GROUP INTERNATIONAL LIMITED


A member of ASTI

CONTENTS

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 equipment and 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 that sailed across the world in the Ming Dynasty.

On 30 April 2015, a new subsidiary, EoCell Limited ("EoCell") was incorporated in Hong Kong. EoCell is engaged in the development of battery and storage solutions.

Headquartered in Singapore, Dragon Group has subsidiaries and representative offices across China, Hong Kong, Taiwan and the United States of America.

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

LETTER TO **SHAREHOLDERS AND OPERATIONS REVIEW**

"Our engagements in Japan and Silicon Valley continue to progress our abilities to address the mobility and green markets - batteries, microbatteries, IoT, storage, LED, and others."

Dear Shareholders,

DGI is continuing on its journey to change and discover new opportunities. Our engagements in Japan and Silicon Valley continue to progress our abilities to address the mobility and green markets - batteries, microbatteries, IoT, storage, LED, and others. Our Silicon Valley entity has made good progress and patents have been filed to protect our intellectual properties. We continued our march securing approvals through the various bureaucracies in China for our development in Nanjing. While DGI has made and continue to make progress, the economic outlook was altered dramatically midstream through 2015. The Chinese economic landscape and balance sheet were significantly adjusted. The Chinese stock market crash wiped out US$5 trillion of wealth, while the decelerating economic growth and the declining RMB currency have resulted in almost US$1 trillion of exodus from China. Given that circumstance and outlook, we decided to take the utmost prudence and impair where practical and sensible - US$8 million mainly in Chinese assets. These exceptional items do not impede our mindset to press forward where commercially prudent and profitable.

DGI OPERATIONS REVIEW

INCOME STATEMENT

The increase in revenue and gross profit for the year ended 31 December 2015 was mainly due to increase in sales in distribution business.

The gross margin has decreased from 29.3% to 10% due to changes in sales mix.

Operating expenses increased mainly due to payroll related costs. In addition, there is a provision for the aged inventories for the Dragon Treasure Boat project during the year. Research and development costs were incurred by EoCell Limited.

The exceptional items related to the impairment of the value of the Dragon Treasure Boat and certain receivables from third party.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Assets

Decrease in property, plant & equipment was due to an US$8 million impairment of the Dragon Treasure Boat project. This is partially offset by the addition of equipment purchased for the research and development activities in EoCell.

Long term prepayment relates to the costs incurred for the development project along the Yangtze Riverbank.

Available-for-sale financial assets increased due to the Group's investment in a 4% equity interest in Nanofuel Co., Ltd. ("Nanofuel") for a consideration of US$500,000. Nanofuel is engaged in the research and development of nano-emulsification technology for biomass energy.

Decrease in stocks is mainly due to lower customers' demands in 4Q 2015 and the provision for the aged inventories of the Dragon Treasure Boat project.

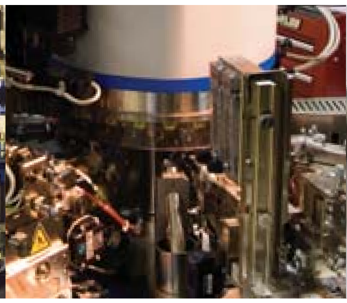
Decrease in other debtors is mainly due to US$1.6 million allowance for an external party's debts and receipt of US$1.8 million for the final 10% instalment proceeds from the disposal of the discontinued operations. This is offset by the partial payments for acquisition of Heat Tech Japan Co., Ltd ("HTJ"). As at the balance sheet date, the acquisition is pending completion. For more details, please refer to our announcement made on 23 October 2015.

Liabilities

The increases in trade creditors, accruals and other creditors were in line with the increase in the Group's batteries research and development activities, as well as the higher professional fees incurred for new business evaluations and additional accrual for payroll related costs.

Equity

Share capital of the Company increased by US$1.8 million as a result of the issuance of 27,777,778 new placement shares.



LETTER TO **SHAREHOLDERS AND OPERATIONS REVIEW**

As at 31 December 2015, the Group has US$11.2 million net current assets and US$12.9 million shareholders' equity.

CASH FLOWS

The Group utilised US$4.2 million for its operating activities, US$1.3 million to purchase property, plant and equipment and US$0.5 million was invested on development project. The Group incurred US$1.2 million for considerations paid for acquisition of available-for-sale investments.

A net amount of US$1.8 million was received from a share placement exercise. In addition, the Group also received US$1.8 million for the final payment of the proceeds from the sale of discontinued operations which took place in May 2013.

Cash and cash equivalents decreased US$3.5 million from US$13.9 million as at 31 December 2014 to US$10.4 million as at 31 December 2015.

OUTLOOK

The sudden economic turn of events midstream 2015 decelerated our journey and diminished our opportunities. We took the necessary prudent views even as we pushed forward. While our outlook in some areas are bright, especially in the arena of battery technology where commercialization and revenue generation may be achieved this year if all goes well, we believe the decelerated and slower China growth may be structural, and any increase in economic activity may be subdued until the fundamental parameters in China are repositioned. Even as we push forward, we are cognizant of the fact that DGI is on Watch List and the time clock is ticking.

As we move forward, the Group will continue to explore investment and business opportunities and will make the appropriate announcements accordingly.

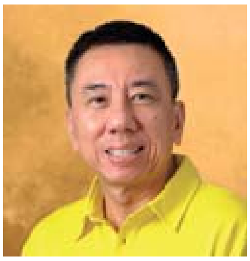
IN APPRECIATION

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 journey to change and yet meet the time clock requirements of our regulators.

Yours sincerely,

Dato' Michael Loh
Executive Chairman and Chief Executive Officer

BOARD OF **DIRECTORS**



Dato' Michael Loh Soon Gnee, 60
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 close to 40 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 current 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

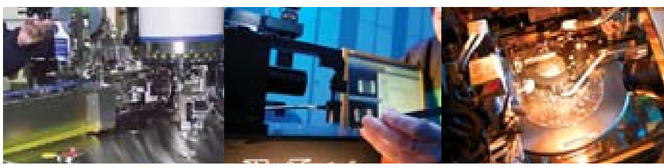
Mr Timothy Lim Boon Liat, 51
Group Administrative Officer
and Executive Director

Diploma in Sales and Marketing,
CIMUK

Mr Lim brings with him close to 30 years of experience in the regional semiconductor industry. As the Group Administrative Officer, he is responsible for the Administrative, Human Resource and Legal operations of the Group including that of its holding company ASTI Holdings Limited and 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



BOARD OF **DIRECTORS**

Dr Kenneth Yu Keung Yum, 68
Independent Director
Nominating Committee Chairman

PhD Electrical Engineering and Applied Physics, Stanford University

Dr Yu brings with him over 35 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.

Dr Yu's present interest is developing the technology to operate a generalised IoT network seamlessly, and to apply Big Data Analytic to sensor data collected by IoT networks.

Current Listed Companies' Directorships
- Dragon Group International Limited
- Advanced Systems Automation Limited

Past 3 Years Listed Companies' Directorships
- None

Dato' Shaarani B. Ibrahim, 66
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 including 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.

Current Listed Companies' Directorships
- Dragon Group International Limited
- CIMB Thai Bank Public Company Limited
- CIMB Vietnam Bank Public Company Limited

Past 3 Years Listed Companies' Directorships
- None

Mr Mohd. Sopiyan B. Mohd Rashdi, 54
Independent Director
Audit Committee Chairman

Chartered Accountant, Malaysian Institute of Accountants Malaysia (MIA:7391)
Degree in Accountancy, University iTM , Malaysia

Mr Mohd. 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. Mr Mohd. Sopiyan was 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.

Currently, Mr Mohd. Sopiyan is the Chief Executive Officer or President Director of PT Scan Nusantara, a company involved in ICT Infrastructure & Security Services provider in Indonesia since June 2014.

Current Listed Companies' Directorships
- Dragon Group International Limited
- Advanced Systems Automation Limited

Past 3 Years Listed Companies' Directorships
- Wintoni Group Berhad

KEY **MANAGEMENT**

Mr Chee Kim Huei
Vice President, Finance

Mr Chee joined the ASTI Group in 2000 and has more than 20 years of 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.

Mr Michael Pak
Chief Operating Officer, EoCell Inc.

Mr Pak joined EoCell in 2015 and brings with him 19 years of experience in the Lithium-ion battery and Catalyst related industry where he gained extensive knowledge and experience in engineering, product management and sales. Mr Pak holds a Bachelor of Science in Engineering Science, Harvard University.

FINANCIAL **HIGHLIGHTS**

RESULT OF OPERATIONS	2013	2014	2015
	US$'000	US$'000	US$'000
STATEMENT OF THE GROUP RESULTS			
Turnover	814	1,724	2,339
Adjusted EBITDA*	(2,845)	(2,495)	(4,704)
Loss before income tax from continuing operations	(8,895)	(2,489)	(14,276)
Income tax	(23)	(3)	3
Loss for the year from continuing operations	(8,918)	(2,492)	(14,273)
Loss after taxation from discontinued operations	(570)	-	-
Loss for the year	(9,488)	(2,492)	(14,273)
Attributable to:			
Equity holders of the Company	(9,317)	(2,384)	(10,847)
Non-controlling interests	(171)	(108)	(3,426)
	(9,488)	(2,492)	(14,273)
Loss per share (cents)	(3.0)	(0.7)	(3.2)
FINANCIAL POSITION OF THE GROUP			
Intangible assets	156	119	116
Property, plant & equipment	7,682	7,467	399
Investment in associate	-	-	8
Available-for-sale financial assets	87	142	636
Prepayment	-	-	491
Other debtors	1,842	-	-
Current assets	19,826	18,958	13,178
Total Assets	29,593	26,686	14,828
Equity attributable to equity holders of the Company	24,890	22,464	13,367
Non-controlling interest	3,279	3,059	(484)
	28,169	25,523	12,883
Current liabilities	1,424	1,163	1,945
Total Equity and Liabilities	29,593	26,686	14,828
NAV per share (cents)	7.77	7.02	3.84
Weighted average number of shares in the year	314,516,547	320,166,733	341,247,403
Number of shares as at end of year	320,166,733	320,166,733	347,944,511
TURNOVER AND PROFITABILITY			
Analysis by Activities			
Turnover			
Electronics Distribution	814	1,724	2,339
Technology Investments & Others	-	-	-
	814	1,724	2,339
Profit/(loss) before tax			
Electronics Distribution	5,203	178	(215)
Technology Investments & Others	(14,098)	(2,667)	(14,061)
	(8,895)	(2,489)	(14,276)

* Adjusted EBITDA = earnings before interest, taxes, depreciation, amortisation, and exceptional items

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

Michael Pak
Chief Operating Officer, EoCell Inc

REGISTERED OFFICE

1 Robinson Road #18-00
AIA Tower
Singapore 048542
Tel: (65) 6535 1944
Fax: (65) 6535 8577

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

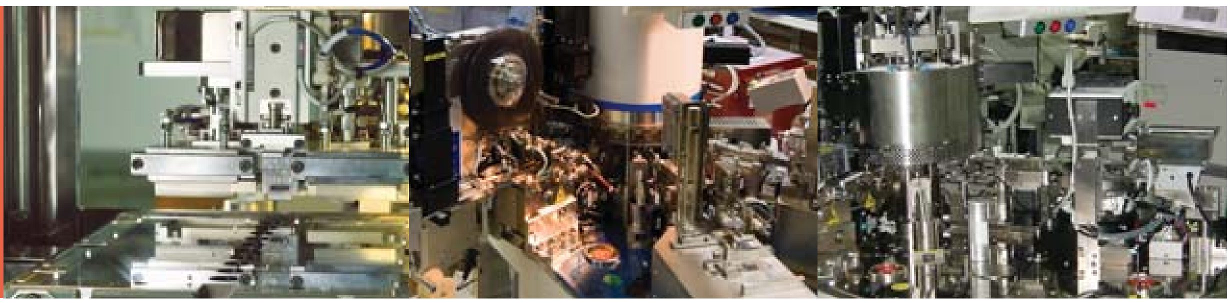
Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-In-Charge:

Simon Yeo
(Since the financial year ended 31 December 2015)

PRINCIPAL BANKERS

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



annual 2015 report

DRAGON GROUP INTERNATIONAL LIMITED

APPENDIX 1

Dragon Group International Limited | ANNUAL REPORT 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Dragon Group International Limited (the "**Company**") and its subsidiaries (collectively, "the **Group**") are committed to maintaining a high standard and to comply with the Singapore Code of Corporate Governance 2012 ("**CCG**" or "the **Code**"). The Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, we have provided the rationale, where appropriate. The Board of Directors (the "**Board**") of the Company 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 2015 ("**FY2015**") with specific references to the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Company has an effective board that is able to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with the management of the Company ("**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 to ensure 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 evaluate 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**"); and
- approving annual budgets, major funding proposals, investment and divestment proposals of the Company;
- providing oversight in the proper conduct of the Company's business and assume responsibility for corporate governance.

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;
- 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 the Company and/or Directors);
- Approval of corporate strategies;
- Corporate or financial restructuring;
- Authorisation or approval of merger and acquisition transactions.

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

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

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 4 of this report.

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.

Whenever a new Director is appointed on the Board, the Company will provide a formal letter to such new Director, setting out, amongst other things, his duties and obligations and will also ensure 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.

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. The Board presently comprises five (5) Directors, three (3) of whom are Independent Directors. There is therefore a strong independent element on the Board as more than half of the Board comprises Independent Directors and no individual or group of individuals is able to dominate the Board's decision-making process.

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, provide 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, management, relevant industry knowledge, strategic planning and customer-based experience and knowledge. 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, the Independent Directors meet regularly without the presence of Management and the other Directors.

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.

CORPORATE GOVERNANCE REPORT

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

The Executive 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 Executive Chairman and CEO 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 the responsibilities of ensuring an accurate, timely and clear flow of information to the Directors, ensuring effective communication with shareholders, encouraging constructive relations between the Board and Management, facilitating effective contribution of the Independent Directors and promoting high standards of corporate governance.

All major decisions made by the Executive Chairman and CEO 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 Independent Directors. 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 appointed 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 Executive Chairman and CEO, or the Vice President, Finance may not be appropriate in some circumstances.

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

The academic and professional qualifications of the Directors are set out in the Directors' profile on pages 5 and 6 of the annual report. The shareholding of each Director is set out in the Directors' Report under the Section "Directors of the Company" on page 1 in the Directors' Report in Appendix 2 of this annual report

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 FY2015 are set out below:

Meetings	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of Meetings	**5**	**4**	**2**	**3**
Dato' Michael Loh Soon Gnee	5	4*	1*	2*
Mr Timothy Lim Boon Liat	5	4*	2*	3*
Dr Kenneth Yu Keung Yum	5	4	2	3
Mr Mohd. Sopiyan B. Mohd. Rashdi	5	4	2	3
Dato' Shaarani B. Ibrahim	5	4	2	3

** By Invitation*

Board Appointments

The NC makes recommendations to the Board on all Board appointments and re-appointments. The members of the NC, namely Dr Kenneth Yu Keung Yum (NC Chairman), Mr Mohd. Sopiyan B. Mohd. Rashdi and Dato' Shaarani B. Ibrahim are all non-executive Independent Directors. The Lead Independent Director is a member of the NC.

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

- Review board succession plans for Directors, in particular, the Executive Chairman and 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 ensures that 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 Constitution provides that a newly appointed Director during the financial year must retire and submit himself for re-appointment at the Annual General Meeting (the "**AGM**") following his appointment. Thereafter, he is subject to re-appointment 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 Constitution 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 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	30 April 2015
Mr Timothy Lim Boon Liat	Executive Director	12 August 2009	29 April 2014
Dr Kenneth Yu Keung Yum	Independent Director	1 March 2010	30 April 2015
Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent Director	16 February 2011	29 April 2014
Dato' Shaarani B. Ibrahim	Independent Director	8 September 2010	26 April 2013

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
Dato' Shaarani B. Ibrahim	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 Independent Director has provided a declaration of their independence which is deliberated upon by the NC and the Board.

For good corporate 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 FY2015, the NC and the Board, having considered the guidelines set out in the Code, have confirmed the status of the following 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 representations, 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 internal 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 a director 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 FY2015, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and the Board is of the view that the Directors have discharged their duties adequately.

Principle 5: Board Performance

In accordance with the terms of reference of the NC as approved by the Board, the NC has adopted a system for assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

All the Directors have made an assessment of the effectiveness of the Board as a whole. There is also a system of peer assessment of each Director by their fellow Directors at least once annually. These peer assessments are collated by the NC and are taken into account when the NC assesses and makes recommendations to the Board as to whether the retiring Directors are suitable for re-election/re-appointment in consultation with the Executive Chairman and CEO. In making this assessment the NC also takes into account the level of participation and contribution of each Director towards the Board's effectiveness and competencies.

The NC, having reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, and the peer assessment of each Director, is of the view that the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board has been satisfactory.

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.

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

The appointment of the Company Secretary and any change thereof is a matter for the Board's decision. The Directors have separate and independent access to the Company Secretary and/or General Counsel. Duties of the Company Secretary and/or General Counsel include ensuring that Board procedures are followed and compliance with applicable rules and regulations including the Companies Act (Cap. 50) of Singapore and the SGX-ST's Listing Manual. The Company Secretary and/or General

Counsel, under the direction of the Executive Chairman and CEO, 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

<u>Remuneration Committee</u>

The Board has set up an RC comprising three non-executive Independent Directors, namely Dato' Shaarani B. Ibrahim (RC Chairman), Mr Mohd. Sopiyan B. Mohd. Rashdi and Dr Kenneth Yu Keung Yum. 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 base salary levels, benefits and incentive programs, and also to 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 proposals for the setting-up of share option schemes or long term incentive schemes.

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

- Review and recommend to the Board for endorsement, a general framework of remuneration for the Board and key management personnel. The framework covers all aspects 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 option plan, if any.
- 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 assess 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. No remuneration consultants were engaged by the Company during FY2015.

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 has a significant portion of performance-related elements.

The Independent Directors have no service contracts with the Company and their terms are specified in the Company's Constitution. 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. Notice periods in any service contracts of the Company are typically set at a period of six months or less. There are currently no incentive components in the service contracts with Executive Directors and key management personnel.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management executives except in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The RC has established a suitable remuneration framework to incentivise, compensate and reward the key management and executives. 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.

Principle 9: Disclosure on Remuneration

Remuneration of Directors for the year ended 31 December 2015

Directors	S$	Fees (%)	Fixed Salary (%)	Variable Bonus (%)	Other Benefits (%)	Contribution From Employer (%)	Total (%)
Dato' Michael Loh Soon Gnee	1,195,000	3%	49%	38%	10%	0%	100%
Mr Timothy Lim Boon Liat	20,000	100%	0%	0%	0%	0%	100%
Dr Kenneth Yu Keung Yum	39,000	100%	0%	0%	0%	0%	100%
Mr Mohd. Sopiyan B. Mohd. Rashdi	40,000	100%	0%	0%	0%	0%	100%
Dato' Shaarani B. Ibrahim	39,000	100%	0%	0%	0%	0%	100%

Other than the Executive Chairman and CEO and the Executive Directors, the Group only has one key executive. The key executive's remuneration band is as follows:

Remuneration Band	2015
Below S$250,000	1

There are no termination, retirement or post-employment benefits provided for in the employment contracts with the Directors, the Executive Chairman and CEO or the key executive above. Taking into consideration the competitive industry in which the Group operates, the Company believes that it is not in the best interests of the Company to disclose the name, remuneration, or the breakdown of the remuneration (in percentage or dollar terms) of the key management personnel (who is not a Directors or Executive Chairman and CEO).

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 2015.

Directors' fees are approved by shareholders at every Annual General Meeting of the Company. The remuneration of the Executive Directors are reviewed by the RC and recommended to the Board for endorsement.

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.

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 assisting the Board with the risk management function, the AC is guided by the following terms of reference:

- Determine the Group's levels of risk tolerance and risk policies.
- Oversee management in the formulation, updating 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 recommendations 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 the Code.
- 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 and CEO, and the Vice President, Finance of the Company that:

- The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2015 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 risk areas relevant to the Company's businesses, operations and compliance requirements have been carried out and are identified as follows:

Dependence on Key Personnel

The Group's success is attributable to the concerted contributions from the Directors and key executives as set out on pages 5 and 6 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.

Principle 12: Audit Committee

Audit Committee

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

The members of the AC have experience in managerial positions across banking, audit and finance industries. (See Directors' profile on pages 5 and 6 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 the 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, checks on 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;
- 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 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 4 of this annual report. The Executive Chairman and CEO, Vice President, Finance, Group Administrative Officer (Mr. Timothy Lim Boon Liat), legal counsels, internal auditors and external auditors were invited to these meetings. Other members of senior management were also invited to attend as appropriate to present reports.

The AC has met with the Company's external auditors, Ernst & Young LLP ("**E&Y**") 2 times in FY2015. Parts of the meeting were conducted without the presence of Management 2 times this year. 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 FY2015 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 the 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, E&Y, on behalf of the Board. There were no non-audit services provided by E&Y during FY2015. During FY2015, 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 E&Y be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of E&Y.

The fees related to the audit services provided by E&Y for FY2015 is US$62,000 and is also disclosed in the notes to the financial statements.

Pursuant to the requirement in the SGX-ST 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 audit partner from E&Y for the Company took over from the previous audit partner from FY2015. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Internal controls

During the year, the AC 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 the following:

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

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

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. Any material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address the same were 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.

Whistle-blowing policy

The Company has implemented a whistle blowing policy since May 2008 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 is 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 FY2004. The methodology adopted by the Internal Auditor is in conformity to the International 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, has 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 is mindful of the obligation to provide 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 conducts dialogue sessions 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.

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 not more than two proxies to attend general meetings and vote in his/her stead, provided the member name is certified by the Depository (Nominee Company) to the Company as appearing on the Depository Register not later than 72 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.

The Company allows all resolutions to be voted by poll and makes announcement of the detailed results, including number of votes cast for and against each resolution. The Board will adhere to the requirements of the SGX-ST Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

OTHER CORPORATE GOVERNANCE MATTERS

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 adoption of this Internal Code has been notified to all Directors, officers and employees of the Group.

The Internal Code provides that the Company, its officers and employees of the Group should not deal in securities of the Company when they are in possession of any unpublished material price-sensitive information in relation to those securities as this is an offence.

The Company's Internal Code also provides that the Company, its officers and employees of the Group should not trade in the Company's securities during the period commencing two weeks before the date of announcement of the Company's quarterly and half-year financial results and the period commencing one month before the date of announcement of the Company's full-year financial results, ending on the date of announcement of the relevant results.

In addition, the Company's officers and employees should not deal in the Company's securities for short-term considerations.
The Internal Code complies with, and the Board confirms that for the financial year ended 31 December 2015, the Company has complied with, Rule 1207(19) of the SGX-ST Listing Manual.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO, Directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Interested Person Transactions

The risks associated with an interested person transaction 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 interested person transactions between an interested person and the Company, its subsidiaries or associated companies for FY2015:

Name of Interested Person	Aggregate value of all interested person transactions for FY2015 under review (excluding transactions less than S$100,000) US$'000
ASTI Holdings Limited (1)	208

(1) ASTI Holdings Limited ("**ASTI**") is the holding company of the Group. The interested person transaction comprises of US$208,000 management fee charged by ASTI.

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

annual 2015 report

DRAGON GROUP INTERNATIONAL LIMITED

APPENDIX 2

Dragon Group International Limited | ANNUAL REPORT 2015

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors are pleased to present their statement 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 2015.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and statement of cash flows of the Group and changes in equity of the Company for the year ended on that date; 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.

Directors of the Company

The Directors of the Company in office at the date of this statement 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 2016
The holding company – ASTI Holdings Limited ("ASTI")		**Ordinary shares**	
Dato' Michael Loh Soon Gnee			
- held in name of Director	65,209,600	65,209,600	65,209,600
- held by nominee	65,000,000	65,000,000	65,000,000
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 or at the end of the financial year.

DIRECTORS' STATEMENT

Options

During the financial year, there were:-

(i) No options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
(ii) No other shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

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 considered 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.

DIRECTORS' STATEMENT

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Dato' Michael Loh Soon Gnee
Director

Timothy Lim Boon Liat
Director

4 April 2016

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2015

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 55, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, 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, Chapter 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 financial statements 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 balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, 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

4 April 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	Group 2015 US$'000	Group 2014 US$'000
Revenue	5	2,339	1,724
Cost of sales		(2,104)	(1,219)
Gross profit		235	505
Other income	6	82	131
Selling and marketing costs		(24)	(25)
General and administrative costs		(4,072)	(3,167)
Research and development costs		(1,000)	–
Finance costs	7	(16)	(12)
Exceptional items	8	(9,479)	79
Share of results of associate		(2)	–
Loss before taxation	9	(14,276)	(2,489)
Taxation	10	3	(3)
Loss after taxation		(14,273)	(2,492)
Attributable to:			
Owners of the Company		(10,847)	(2,384)
Non-controlling interests		(3,426)	(108)
		(14,273)	(2,492)
Loss per share attributable to owners of the Company			
Basic and diluted (cents)	11	(3.18)	(0.74)

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 2015

	Note	Group 2015 US$'000	Group 2014 US$'000
Loss for the year		(14,273)	(2,492)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(156)	(130)
Net (loss)/gain on fair value changes of available-for-sale financial assets		(6)	2
Other comprehensive income for the year, net of tax		(162)	(128)
Total comprehensive income for the year		(14,435)	(2,620)
Total comprehensive income attributable to:			
Owners of the Company		(10,892)	(2,426)
Non-controlling interests		(3,543)	(194)
		(14,435)	(2,620)

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2015

	Note	Group 2015 US$'000	Group 2014 US$'000	Company 2015 US$'000	Company 2014 US$'000
ASSETS					
Non-current assets					
Intangible assets	12	116	119	65	65
Property, plant and equipment	13	399	7,467	4	14
Investments in subsidiary companies	14	–	–	695	711
Investment in associate		8	–	–	–
Available-for-sale financial assets	15	636	142	620	126
Amounts due from subsidiary companies	17	–	–	5,504	5,504
Prepayment	16	491	–	–	–
		1,650	7,728	6,888	6,420
Current assets					
Stocks	19	52	425	–	–
Prepayments	16	778	140	699	61
Amount due from holding company	20	1,021	981	1,021	981
Amounts due from subsidiary companies	17	–	–	3,542	1,802
Trade debtors	21	270	223	–	–
Other debtors	18	625	3,266	340	1,878
Tax recoverable		6	8	–	–
Cash and cash equivalents	22	10,426	13,915	9,481	13,113
		13,178	18,958	15,083	17,835
TOTAL ASSETS		**14,828**	**26,686**	**21,971**	**24,255**
EQUITY AND LIABILITIES					
Current liabilities					
Trade creditors and accruals	23	1,096	618	412	241
Other creditors	24	841	514	181	209
Amount due to holding company	25	–	12	–	12
Amounts due to subsidiary companies	26	–	–	137	156
Provision for taxation		8	19	–	19
		1,945	1,163	730	637
TOTAL LIABILITIES		**1,945**	**1,163**	**730**	**637**
NET CURRENT ASSETS		**11,233**	**17,795**	**14,353**	**17,198**
NET ASSETS		**12,883**	**25,523**	**21,241**	**23,618**

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group 2015 US$'000	Group 2014 US$'000	Company 2015 US$'000	Company 2014 US$'000
Equity attributable to owners of the Company					
Share capital	27	59,970	58,175	59,970	58,175
Capital reserve	28	2,525	2,525	–	–
Foreign currency translation reserve	29	805	844	–	–
Revaluation reserve		30	36	30	36
Other reserve		18	18	–	–
Accumulated losses		(49,981)	(39,134)	(38,759)	(34,593)
		13,367	22,464	21,241	23,618
Non-controlling interests		(484)	3,059	–	–
TOTAL EQUITY		**12,883**	**25,523**	**21,241**	**23,618**
TOTAL EQUITY AND LIABILITIES		**14,828**	**26,686**	**21,971**	**24,255**

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 2015

	Attributable to owners of the Company								
	Share capital (Note 27) US$'000	Capital reserve (Note 28) US$'000	Foreign currency translation reserve (Note 29) US$'000	Revaluation reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Equity attributable to owners of the Company, total US$'000	Non-controlling interests US$'000	Total equity US$'000
2015									
Group									
At 1 January 2015	58,175	2,525	844	36	18	(39,134)	22,464	3,059	25,523
Loss for the year	–	–	–	–	–	(10,847)	(10,847)	(3,426)	(14,273)
Other comprehensive income									
Foreign currency translation	–	–	(39)	–	–	–	(39)	(117)	(156)
Net loss on fair value changes of available-for-sale financial assets	–	–	–	(6)	–	–	(6)	–	(6)
Other comprehensive income for the year, net of tax	–	–	(39)	(6)	–	–	(45)	(117)	(162)
Total comprehensive income for the year	–	–	(39)	(6)	–	(10,847)	(10,892)	(3,543)	(14,435)
Contributions by owners									
Issuance of placement shares	1,818	–	–	–	–	–	1,818	–	1,818
Share issuance expenses	(23)	–	–	–	–	–	(23)	–	(23)
Total contributions by owners	1,795	–	–	–	–	–	1,795	–	1,795
At 31 December 2015	59,970	2,525	805	30	18	(49,981)	13,367	(484)	12,883

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital (Note 27)	Capital reserve (Note 28)	Foreign currency translation reserve (Note 29)	Revaluation reserve	Other reserve	Accumulated losses	Equity attributable to owners 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
2014									
Group									
At 1 January 2014	58,175	2,525	888	34	18	(36,750)	24,890	3,279	28,169
Loss for the year	–	–	–	–	–	(2,384)	(2,384)	(108)	(2,492)
<u>Other comprehensive income</u>									
Foreign currency translation	–	–	(44)	–	–	–	(44)	(86)	(130)
Net gain on fair value changes of available-for-sale financial assets	–	–	–	2	–	–	2	–	2
Other comprehensive income for the year, net of tax	–	–	(44)	2	–	–	(42)	(86)	(128)
Total comprehensive income for the year	–	–	(44)	2	–	(2,384)	(2,426)	(194)	(2,620)
<u>Changes in ownership interests in subsidiaries</u>									
Deregistration of subsidiary	–	–	–	–	–	–	–	(26)	(26)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	(26)	(26)
At 31 December 2014	58,175	2,525	844	36	18	(39,134)	22,464	3,059	25,523

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital (Note 27) US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total equity US$'000
2015				
Company				
At 1 January 2015	58,175	36	(34,593)	23,618
Loss for the year	–	–	(4,166)	(4,166)
Other comprehensive income				
Net loss on fair value changes of available-for-sale financial assets	–	(6)	–	(6)
Other comprehensive income for the year, net of tax	–	(6)	–	(6)
Total comprehensive income for the year	–	(6)	(4,166)	(4,172)
Contributions by owners				
Issuance of placement shares	1,818	–	–	1,818
Share issuance expenses	(23)	–	–	(23)
Total contributions by owners	1,795	–	–	1,795
At 31 December 2015	59,970	30	(38,759)	21,241
2014				
Company				
At 1 January 2014	58,175	34	(32,430)	25,779
Loss for the year	–	–	(2,163)	(2,163)
Other comprehensive income				
Net gain on fair value changes of available-for-sale financial assets	–	2	–	2
Other comprehensive income for the year, net of tax	–	2	–	2
Total comprehensive income for the year	–	2	(2,163)	(2,161)
At 31 December 2014	58,175	36	(34,593)	23,618

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

CONSOLIDATED CASH FLOW STATEMENT

31 December 2015

	Note	2015 US$'000	2014 US$'000
Cash flow from operating activities			
Operating loss before taxation		(14,276)	(2,489)
Adjustments for:			
Impairment losses on available-for-sale financial assets	8	–	262
Gain on disposal of available-for-sale financial assets	8	–	(315)
Gain on deregistration of subsidiary	8	–	(26)
Impairment loss on intangible assets	9	–	34
Amortisation of intangible assets	12	3	3
Depreciation of property, plant and equipment	13	172	158
Impairment loss on property, plant and equipment	8	7,918	–
Impairment loss on trade debtor	21	3	4
Impairment loss on other debtor	8	1,561	–
Allowance for /(reversal of allowance for) stock obsolescence	19	201	(5)
Interest income		(82)	(88)
Share of result of associate		2	–
Effects of exchange rate changes		172	67
Operating cash flow before reinvestment in working capital		(4,326)	(2,395)
Changes in working capital			
Stocks		172	(25)
Prepayments		27	(121)
Debtors		(794)	(1,185)
Creditors		805	141
Amount due from holding company		(79)	(54)
Amount due to holding company		(12)	(394)
Cash used in operations		(4,207)	(4,033)
Interest received		30	49
Tax paid		(6)	(11)
Net cash used in operating activities		(4,183)	(3,995)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

31 December 2015

	Note	2015 US$'000	2014 US$'000
Cash flow from investing activities			
Purchase of property, plant and equipment	13	(1,347)	(141)
Considerations paid for acquisition of available-for-sale financial assets	15	(500)	–
Expenditure on development project	16	(491)	–
Partial payment made for acquisition of available-for-sale financial assets	16	(665)	–
Cash proceeds from disposal of subsidiaries	18	1,842	1,842
Investment in an associate		(13)	–
Net cash (used in)/generated from investing activities		(1,174)	1,701
Cash flow from financing activities			
Interest received on loan to holding company		73	–
Proceeds from share placement		1,818	–
Share issuance expenses		(23)	–
Net cash generated from financing activities		1,868	–
Net decrease in cash and cash equivalents		(3,489)	(2,294)
Cash and cash equivalents at beginning of year		13,915	16,209
Cash and cash equivalents at end of year	22	10,426	13,915

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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 1 Robinson Road, #18-00 AIA Tower, Singapore 048542.

The principal place of business is located at Block 25, Kallang Avenue, #06-01, 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.

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$"), which is the functional currency of the Company. All values in the tables are rounded to the nearest thousand ("US$'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 2015. 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 2015

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:

Description	***Effective for annual periods beginning on or after***
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2016
Improvements to FRSs (November 2014)	
- FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
- FRS 107 *Financial Instruments: Disclosures*	1 January 2016
- FRS 19 *Employee Benefits*	1 January 2016
- FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined[a]

[a] *The mandatory effective date of this Amendment will be revised from 1 January 2016 to a date to be determined by the Accounting Standards Council*

Except for FRS 109 and FRS 115, the directors expect that the adoption of the 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 109 and FRS 115 are described below.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

2.3 Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, 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. Management is of the opinion that there is no significant judgement made in applying accounting policies.

(a) 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 the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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 loans and receivables at the end of the reporting period is disclosed in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

For consolidation purpose, 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

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.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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 owners 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 is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.8 Associated companies

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate is eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

2.9 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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.

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.

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

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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.

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 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

2.11 Financial instruments (cont'd)

(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.

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.

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 2015

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.

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.

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 2015

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 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 in which the Group does not transfer substantially all the risks and rewards of ownership of the asset 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 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.

(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) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 2015

3. Segment information

For management purpose, the Group has two (2014: 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:

	Electronics Distribution		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue								
Sale to external customers	2,339	1,724	–	–	–	–	2,339	1,724
Segment Results	(208)	151	(4,208)	(2,525)	–	–	(4,416)	(2,374)
Depreciation of property, plant and equipments	–	–	(172)	(158)	–	–	(172)	(158)
Amortisation of intangible assets	–	–	(3)	(3)	–	–	(3)	(3)
Impairment loss on club membership	–	–	–	(34)	–	–	–	(34)
Allowance for doubtful debts	(3)	(4)	–	–	–	–	(3)	(4)
Impairment of property, plant and equipment	–	–	(7,918)	–	–	–	(7,918)	–
Impairment loss on other debtor	–	–	(1,561)	–	–	–	(1,561)	–
Impairment loss on available-for-sale financial assets	–	–	–	(262)	–	–	–	(262)
Gain on disposal of available-for-sale financial assets	–	–	–	315	–	–	–	315
Gain on deregistration of subsidiary	–	26	–	–	–	–	–	26
Share of results of associate	–	–	(2)	–	–	–	(2)	–
(Allowance)/write back for obsolete stocks	(4)	5	(197)	–	–	–	(201)	5
Profit/(loss) before taxation	(215)	178	(14,061)	(2,667)	–	–	(14,276)	(2,489)
Taxation							3	(3)
Loss for the year							(14,273)	(2,492)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Segment information (cont'd)

	Electronics Distribution		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and liabilities:								
Investment in associate	–	–	8	–	–	–	8	–
Additions to non-current assets	–	–	1,347	141	–	–	1,347	141
Segment assets	861	1,055	13,961	25,623	–	–	14,822	26,678
Unallocated assets							6	8
Total assets							14,828	26,686
Segment liabilities	312	360	1,625	784	–	–	1,937	1,144
Unallocated liabilities							8	19
Total liabilities							1,945	1,163

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 FINANCIAL STATEMENTS
31 December 2015

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	
	2015	2014
	US$'000	US$'000
Singapore	1,203	58
Greater China	1,085	1,567
United States of America	–	–
Others	51	99
	2,339	1,724

	Non-current assets	
	2015	2014
	US$'000	US$'000
Singapore	69	79
Greater China	545	7,507
United States of America	392	–
Others	8	–
	1,014	7,586

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

Information about a major customer

Revenue from one major customer amounted to US$1,120,000 (2014: US$360,000), arising from sale by the electronics distribution segment.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. Group companies

(a) The significant subsidiary companies as at 31 December 2015 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2015 %	2014 %
Held by the Company			
** DTB Limited (Hong Kong)	Investment holding (Hong Kong)	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
# EoCell Limited (Hong Kong)	Development of battery and storage solutions (Hong Kong)	100	–

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. Group companies (cont'd)

(a) The significant subsidiary companies as at 31 December 2015 are as follows (cont'd):

	Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2015 %	2014 %
	Held by subsidiary companies:			
	Held by DTB Limited			
**	Nanjing DTB Development Co., Ltd (People's Republic of China)	Construction of antique wooden sea boat, communication of culture, exhibition and conference, etc. (People's Republic of China)	60	60
##	Dragon Ventures Limited (Hong Kong)	Investment holding	100	100
	Held by Dragon Ventures Limited			
#	Dragon Tourism Management Company Limited (People's Republic of China)	Develop and manage a mixed-used property	100	–
	Held by Dragon Equipment & Materials Technology Ltd (Hong Kong)			
*	Spire Technologies Pte Ltd (Singapore)	Importing, exporting, retailing and trading in electronic components and test consumables (Singapore)	100	100
	Held by Spire Technologies Pte Ltd			
**	Spire Technologies (Taiwan) Ltd (Taiwan)	Importing, exporting, retailing and trading in electronic components and test consumables (Taiwan)	60	60
	Held by EoCell Limited			
##	EoCell Inc (United States of America)	Development of battery and storage solutions (United States of America)	100	–

* Audited by Ernst & Young LLP, Singapore.
\# Not due for audit in the year of incorporation
\## Not required to be audited in country of incorporation
** Audited by the following Certified Public Accounting firms:

<u>Company</u>	<u>Certified Public Accounting firm</u>
Spire Technologies (Taiwan) Ltd	Link Chan & Co., Taiwan
Dragon Equipment & Materials Technology Ltd	Y.K Leung & Co., Hong Kong
DTB Limited	Y.K Leung & Co., Hong Kong
Dragon Ventures Limited	Y.K Leung & Co., Hong Kong
Nanjing DTB Development Co., Ltd	Jiangsu Yonghe Certified Public Accountant Co., Ltd

NOTES TO FINANCIAL STATEMENTS

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4. **Group companies (cont'd)**

(b) Incorporation of new subsidiaries

(i) On 22 March 2015, the Company's wholly owned subsidiary, Dragon Venture Limited incorporated a wholly owned subsidiary, Dragon Tourism Management Company Limited ("DTMC") with a registered capital of US$20 million.

(ii) On 30 April 2015, the Company incorporated a wholly owned subsidiary, EoCell Limited in Hong Kong with a paid up capital of HK$93. EoCell Limited was set up as an investment vehicle to explore opportunities in the battery industry. EoCell Limited in turn incorporated its wholly owned subsidiary, EoCell Inc with a paid up capital of US$100. The principal activity of EoCell Inc is as disclosed above.

5. **Revenue**

Revenue is analysed as follows:

	Group	
	2015	**2014**
	US$'000	**US$'000**
Sale of goods	2,339	1,724

6. **Other income**

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

	Group	
	2015	**2014**
	US$'000	**US$'000**
Interest income		
- Fixed deposits and current accounts	30	52
- Holding company	34	36
- Others	18	–

7. **Finance costs**

Finance costs are analysed as follows:

	Group	
	2015	**2014**
	US$'000	**US$'000**
Bank charges	16	12

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8. Exceptional items

Exceptional items are analysed as follows:

	Group	
	2015 US$'000	2014 US$'000
Impairment of property, plant and equipment (Note 13(a))	(7,918)	–
Impairment loss on other debtor (Note 18)	(1,561)	–
Gain on disposal of shares swap for available-for-sale financial assets (a)	–	315
Impairment losses on available-for-sale financial assets (b)	–	(262)
Gain on deregistration of a subsidiary	–	26
	(9,479)	79

(a) *Gain on disposal on shares swap for available-for-sale financial assets*

In 2014, the Company was allotted and issued with quoted equity shares in the capital of Axesstel, Inc in consideration for selling the Company's equity interest in the share capital of Flexcomm Limited to Axesstel, Inc. The gain of US$315,000 arose from the difference between the carrying value of the equity interest in Flexcomm Limited and the fair value of the equity shares in Axesstel, Inc that were issued to the Company.

(b) *Impairment losses on available-for-sale financial assets*

Impairment loss of US$262,000 for the shares of Axesstel, Inc was recorded in 2014 (Note 15).

9. Loss before taxation

Loss before taxation is stated after (charging)/crediting: -

	Group	
	2015 US$'000	2014 US$'000
Depreciation of property, plant and equipment	(172)	(158)
Impairment loss on intangible assets	–	(34)
Foreign exchange loss	(352)	(145)
(Allowance)/reversal of allowance for stocks obsolescence	(201)	5
Staff costs		
- Contributions to national pension schemes	(47)	(19)
- Salaries, wages, bonuses and other costs	(1,904)	(938)
Legal and professional fees	(1,032)	(833)
Audit fees [(1)]		
- Auditor of the Company	(62)	(67)
- Other auditors	(18)	(15)
Non-audit fees paid to other auditors	–	(12)
Management fees	(208)	(277)

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

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10. Taxation

The major components of income tax (credit)/expense for the years ended 31 December 2015 and 2014 are:

	Group 2015 US$'000	Group 2014 US$'000
Current taxation		
- Singapore	–	–
- Other countries	9	1
	9	1
(Over)/under provision in respect of prior years		
- Current taxation	(12)	2
	(3)	3

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 2015 %	Group 2014 %
Domestic statutory tax rate	(17.0)	(17.0)
Tax effect of:		
Deemed income for tax purposes	2.0	9.4
Expenses not deductible for tax purposes	14.9	8.6
Effect of tax exemption	–	(0,8)
Utilisation of losses brought forward	–	(1.5)
Different tax rates of other countries	(1.4)	(0.5)
Deferred tax assets not recognized	1.6	1.8
(Over)/under under provision in respect of prior years	(0.1)	0.1
Effective tax rate	–	0.1

The Group has unutilised tax losses amounting to approximately US$11,965,000 (2014: US$10,203,000) 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.

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11. Earnings per share

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

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

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

	Group	
Group	**2015 US$'000**	**2014 US$'000**
Net loss attributable to ordinary equity holders of the Company used in the computation of basic and diluted earnings per share	(10,847)	(2,384)
	'000	**'000**
Weighted average number of ordinary shares in issue applicable to basic and diluted earnings per share	341,247	320,167

The computation of weighted average number of shares takes into consideration the placement of 27,777,778 ordinary shares that had been allotted and issued to the placees on 30 March 2015.

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12. Intangible assets

Group	Club memberships US$'000
Cost	
At 1 January 2014, 31 December 2014, 1 January and 31 December 2015	184
Accumulated amortisation and impairment	
At 1 January 2014	28
Amortisation	3
Written off	34
At 31 December 2014 and 1 January 2015	65
Amortisation	3
At 31 December 2015	68
Net carrying amount	
At 31 December 2015	116
At 31 December 2014	119

	Company	
	2015 US$'000	2014 US$'000
Club memberships	65	65

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

NOTES TO FINANCIAL STATEMENTS
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13. Property, plant and equipment

Group	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 2014	2,562	413	284	1,038	5,711	102	10,110
Additions	–	–	–	9	132	–	141
Disposals/written off	–	(146)	(1)	(411)	–	–	(558)
Currency realignment	(66)	(2)	(8)	(5)	(149)	(1)	(231)
At 31 December 2014 and 1 January 2015	2,496	265	275	631	5,694	101	9,462
Additions	–	–	414	1	932	–	1,347
Currency realignment	(101)	(2)	(11)	(8)	(258)	(2)	(382)
At 31 December 2015	2,395	263	678	624	6,368	99	10,427
Accumulated depreciation and impairment							
At 1 January 2014	740	413	162	1,031	–	82	2,428
Charge for the year	116	–	26	2	–	14	158
Disposals/written off	–	(146)	(1)	(411)	–	–	(558)
Currency realignment	(21)	(2)	(4)	(5)	–	(1)	(33)
At 31 December 2014 and 1 January 2015	835	265	183	617	–	95	1,995
Charge for the year	113	–	49	4	–	6	172
Impairment loss (Note (a))	1,484	–	63	3	6,368	–	7,918
Currency realignment	(37)	(2)	(8)	(8)	–	(2)	(57)
At 31 December 2015	2,395	263	287	616	6,368	99	10,028
Net carrying amount							
At 31 December 2015	–	–	391	8	–	–	399
At 31 December 2014	1,661	–	92	14	5,694	6	7,467

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

Company	Office equipment US$'000	Motor vehicle US$'000	Total US$'000
Cost			
At 1 January 2014	52	47	99
Additions	9	–	9
Disposals	(50)	–	(50)
At 31 December 2014 and 1 January 2015	11	47	58
Additions	–	–	–
Written off	–	–	–
At 31 December 2015	11	47	58
Accumulated depreciation and impairment			
At 1 January 2014	49	32	81
Charge for the year	4	9	13
Disposals	(50)	–	(50)
At 31 December 2014 and 1 January 2015	3	41	44
Charge for the year	4	6	10
Written off	–	–	–
At 31 December 2015	7	47	54
Net carrying amount			
At 31 December 2015	4	–	4
At 31 December 2014	8	6	14

(a) Construction-in-progress

Construction-in-progress relates to the construction of a vessel in the People's Republic of China. The progress of construction of the vessel had been delayed several times in the past. During the year, a further delay in the progress of construction was encountered. In view of the latest delay, and the fact that it coincided with unfavourable economic conditions in China, the Group updated its impairment assessment using cash flow projections based on more conservative financial budgets covering a twenty-year period with 2035 being the terminal year. The construction timeline of the vessel is revised to complete only in 2018 and revenue generating activities will start thereafter. As a result of the assessment, the impairment of construction-in-progress relating to the vessel was required. An impairment loss of US$7,918,000 (2014: $Nil), representing the write-down of the construction of the vessel to its recoverable amounts and was recognised in the "Exceptional Items" line item of the consolidated income statement for the financial year ended 31 December 2015. The recoverable amount of these property, plant and equipment was based on its value-in-use and the pre-tax discount rate applied to value-in-use computation was 18.3% (2014: 18.3%) per annum.

NOTES TO FINANCIAL STATEMENTS

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14. Investments in subsidiary companies

	Company 2015 US$'000	Company 2014 US$'000
Unquoted shares, at cost	2,282	2,282
Allowance for impairment	(1,587)	(1,571)
Carrying amount of investments	695	711
Movement in allowance account:		
At 1 January	1,571	1,571
Impairment for the year	16	–
At 31 December	1,587	1,571

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

15. Available-for-sale financial assets

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Unquoted equity shares, at cost	12,131	11,665	6,286	5,786
Allowance for impairment	(11,631)	(11,665)	(5,786)	(5,786)
	500	–	500	–
Quoted equity shares in corporations, at fair value	136	142	120	126
	636	142	620	126
Movement in allowance account for unquoted equities:				
At 1 January	11,665	12,648	5,786	6,746
Exchange differences	(34)	(23)	–	–
Written off	–	(960)	–	(960)
At 31 December	11,631	11,665	5,786	5,786

Impairment Losses

Impairment loss of US$262,000 for quoted equity securities was recognised in 2014 as there were “significant” or “prolonged” decline in the fair value of these investments below their costs.

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16. Prepayments

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000	US$'000	US$'000	US$'000
Prepayments (non-current) (Note (i))	491	–	–	–
Prepayments (current)	113	140	34	61
Partial consideration paid for purchase of equity investment (Note (ii))	665	–	665	–
	1,269	140	699	61
Disclosure in statement of financial position				
Current	778	140	699	61
Non-current (Note (i))	491	–	–	–
	1,269	140	699	61

(i) Prepayments include payments in advance amounting to US$491,000 (2014: US$Nil) for the development project along the Yangtze Riverbank. Management is of the opinion this prepayment will not be utilised within the next twelve months from balance sheet date and is being classified as part of the non-current assets

(ii) The amount relates to DGI's partial payment for its acquisition of a 19% equity interest in Heat Tech Japan Co. Ltd ("HTJ") for an aggregate consideration of S$1,900,000. The remaining unpaid consideration is to be satisfied by the issuance of 11,875,000 ordinary shares in the capital of DGI (the "Consideration Shares") at S$0.08 per Consideration Share.

NOTES TO FINANCIAL STATEMENTS

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17. Amounts due from subsidiary companies

	Company	
	2015 US$'000	2014 US$'000
Amounts due from subsidiary companies	15,169	11,530
Allowance for impairment	(6,123)	(4,224)
	9,046	7,306
Disclosure in statement of financial position		
Non-current (quasi-equity)	5,504	5,504
Current	3,542	1,802
	9,046	7,306
Movement in allowance account:		
At 1 January	4,224	4,302
Charge for the year	1,968	16
Write-off for the year	–	(50)
Write-back for the year	(69)	(44)
At 31 December	(6,123)	4,224

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$1,968,000 (2014: US$16,000) on the amounts due from subsidiary companies as a result of the deteriorating financial results and financial positions of the subsidiary companies.

NOTES TO FINANCIAL STATEMENTS

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18. Other debtors

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000	US$'000	US$'000	US$'000
Deposits	22	51	6	6
Due from related parties	76	34	9	17
Sundry debtors	2,088	1,339	325	13
Proceeds receivable from disposal of discontinued operations	–	1,842	–	1,842
	2,186	3,266	340	1,878
Allowance for doubtful debts	(1,561)	–	–	–
	625	3,266	340	1,878

Other debtors includes proceeds receivable of US$Nil (2014: US$1,842,000) from disposal of discontinued operations. Final payment of the proceeds amounted to US$1,842,000 was collected during the year.

Sundry debtors included a loan of US$1,561,000 (2014: US$1,230,000) to a third party. The loan was secured, bore interest at market rates and was repayable upon demand in cash. During the financial year, the Group recognised an impairment loss on all loans to this third party and the impairment loss was recognised as an exceptional item in the income statement.

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

	Group	
	2015	**2014**
	US$'000	**US$'000**
United States Dollar	120	40
Singapore Dollar	13	7
Thailand Baht	108	–

19. Stocks

	Group	
	2015	**2014**
	US$'000	**US$'000**
Statement of financial position		
Raw materials	–	355
Finished goods	52	70
	52	425
Income statement		
Stocks recognised as an expense in cost of sales	2,100	1,224
Inclusive of the following:		
- Allowance for /(reversal of) stock obsolescence	201	(5)

NOTES TO FINANCIAL STATEMENTS
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20. Amount due from holding company

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Amount due from holding company	1,021	981	1,021	981

The amount due from holding company includes an unsecured loan of US$900,000 (2014: US$900,000). The loan due from holding company is interest bearing at an interest of 3.38% to 4% (2014: 4%) per annum and repayable on 30 June 2016 (2014: 30 June 2015) in cash.

21. Trade debtors

	Group	
	2015 US$'000	2014 US$'000
Trade debtors	685	642
Allowance for doubtful debt	(415)	(419)
	270	223

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	
	2015 US$'000	2014 US$'000
United States Dollar	49	60

(a) Trade debtors ageing

	Group 2015			Group 2014		
	Gross US$'000	Allowance US$'000	Net US$'000	Gross US$'000	Allowance US$'000	Net US$'000
Not past due	99	–	99	163	–	163
Less than 30 days	143	–	143	39	–	39
30 to 60 days	15	–	15	9	–	9
61 to 90 days	4	–	4	4	–	4
More than 90 days	424	(415)	9	427	(419)	8
	685	(415)	270	642	(419)	223

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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	
	2015 US$'000	2014 US$'000
Movement in allowance account:		
At 1 January	419	418
Charge for the year	3	4
Written off	(3)	–
Currency realignment	(4)	(3)
At 31 December	415	419

(c) Trade debtors that are impaired

Trade debtors that were individually determined to be impaired at 31 December 2015 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 cash equivalents

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Cash at bank and on hand	4,426	2,915	3,481	2,113
Fixed deposits	6,000	11,000	6,000	11,000
	10,426	13,915	9,481	13,113

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 to 3 months (2014: 1 month) from the financial year end. Interest rate for the Group and Company range from 0.4% to 0.49% (2014: 0.25% to 0.5%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
United States Dollar	204	493	–	–
Singapore Dollar	609	339	609	339

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23. Trade creditors and accruals

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Trade creditors	332	306	–	–
Accruals	764	312	412	241
	1,096	618	412	241

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	
	2015 US$'000	2014 US$'000
United States Dollar	168	229
Singapore Dollar	403	232
Thai Baht	226	9
Renminbi	5	–

24. Other creditors

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Directors' fees	126	137	126	137
Sundry creditors	360	374	54	72
Due to a related party	47	3	1	–
Advances for capital injection from non-controlling interest	308	–	–	–
	841	514	181	209

Other creditors are unsecured, interest free and repayable on demand in cash.

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

	Group	
	2015 US$'000	2014 US$'000
Singapore Dollar	57	167
United States Dollar	157	57
Thai Baht	23	25
Malaysian Ringgit	–	5

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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.

26. Amounts due to subsidiary companies

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

27. Share capital

	Group and Company			
	2015		2014	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid				
At 1 January	320,167	58,175	320,167	58,175
Issuance of placement shares	27,778	1,818	–	–
Share issuance expenses		(23)	–	–
At 31 December	347,945	59,970	320,167	58,175

On 26 January 2015, the Company entered into a placement agreement (the "Placement Agreement") with a placee to allot and issue an aggregate of 27,777,778 new ordinary shares in the capital of Company (the "Placement Shares") at S$0.09 (the "Issue Price") for each new share. This represents a premium of 19.2% over the weighted average price of S$0.075 of DGI's ordinary shares for trades done on the Singapore Exchange Securities Trading Limited (the ("SGX-ST")) on the date of the Placement Agreement. The aggregate consideration for the Placement Shares was S$2,500,000 (US$1,818,000). Expenses incurred for the issuance of the Placement Shares amounted to approximately US$23,000. The Placement Shares had been allotted and issued to the Placee on 30 March 2015.

Pursuant to the Company's acquisition of a 19% equity interest in Heat Tech Japan Co. Ltd ("HTJ") for a consideration of S$1,900,000, of which S$950,000 had been paid in cash and another 11,875,000 ordinary shares in the capital of DGI (the "Consideration Shares") shall be issued at S$0.08 per Consideration Share. The issue of the Consideration Shares is currently pending approval from SGX-ST.

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

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30. 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	
	2015 US$'000	2014 US$'000
Not later than one year	14	9

Rental expenses (principally for premises, machinery and equipment and internet lease lines) were US$25,000 (2014: US$22,000).

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 period of 1 year (2014: 1 to 4 years) and at rental rates based on negotiations and prevailing market rates.

31. Related party transactions

(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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Holding company				
Management fee expense	208	277	208	277
Interest income	34	36	34	36
Related party				
Sales	1,120	–	–	–

Related party refers to the company in which the Company's Chairman and Chief Executive Officer holds key executive position and has 5% equity interest.

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31. Related party transactions (con't)

(b) Compensation of key management personnel

	Group	
	2015	**2014**
	US$'000	**US$'000**
Short-term employee benefits	969	402
	969	402
Comprise amounts paid to:		
Directors of the Company	839	402
Other key management personnel	130	–
	969	402

At 1 January and 31 December 2015, none of the Company's Directors and Key Executive Officers held options to purchase ordinary shares of the Company under employee share option scheme.

During the financial year ended 31 December 2015, no share options have been granted to the Company's Directors.

32. 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.

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

(a) Liquidity risk (cont'd)

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 2015	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	–	–	636	636
Amount due from holding company	1,039	–	–	1,039
Trade debtors	270	–	–	270
Other debtors	625	–	–	625
Cash and cash equivalents	10,426	–	–	10,426
Total undiscounted financial assets	12,360	–	636	12,996
Financial liabilities				
Trade creditors and accruals	1,096	–	–	1,096
Other creditors	841	–	–	841
Amount due to holding company	–	–	–	–
Total undiscounted financial liabilities	1,937	–	–	1,937
Total net undiscounted financial assets	10,423	–	636	11,059

Company 2015	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	–	–	620	620
Amount due from holding company	1,039	–	–	1,039
Amounts due from subsidiary companies	3,542	–	5,504	9,046
Other debtors	340	–	–	340
Cash and cash equivalents	9,481	–	–	9,481
Total undiscounted financial assets	14,402	–	6,124	20,526
Financial liabilities				
Trade creditors and accruals	412	–	–	412
Other creditors	181	–	–	181
Amount due to holding company	–	–	–	–
Amounts due to subsidiary companies	137	–	–	137
Total undiscounted financial liabilities	730	–	–	730
Total net undiscounted financial assets	13,672	–	6,124	19,796

NOTES TO FINANCIAL STATEMENTS
31 December 2015

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

(a) Liquidity risk (cont'd)

Group 2014	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	–	–	142	142
Amount due from holding company	999	–	–	999
Trade debtors	223	–	–	223
Other debtors	3,266	–	–	3,266
Cash and cash equivalents	13,915	–	–	13,915
Total undiscounted financial assets	18,403	–	142	18,545
Financial liabilities				
Trade creditors and accruals	618	–	–	618
Other creditors	514	–	–	514
Amount due to holding company	12	–	–	12
Total undiscounted financial liabilities	1,144	–	–	1,144
Total net undiscounted financial assets	17,259	–	142	17,401

Company 2014	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	–	–	126	126
Amount due from holding company	999	–	–	999
Amounts due from subsidiary companies	1,802	–	5,504	7,306
Other debtors	1,878	–	–	1,878
Cash and cash equivalents	13,113	–	–	13,113
Total undiscounted financial assets	17,792	–	5,630	23,422
Financial liabilities				
Trade creditors and accruals	241	–	–	241
Other creditors	209	–	–	209
Amount due to holding company	12	–	–	12
Amounts due to subsidiary companies	156	–	–	156
Total undiscounted financial liabilities	618	–	–	618
Total net undiscounted financial assets	17,174	–	5,630	22,804

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

(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 cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

Credit risk concentration profile

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

	Group			
	2015		2014	
	US$'000	% of total	US$'000	% of total
By Region:				
Greater China	242	90	203	91
Singapore	7	2	7	3
Malaysia	21	8	13	6
	270	100	223	100

Exposure to credit risk

At the date of statement of financial position, the Group's and the Company's exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position

There is no significant credit risk exposure faced by the Group in 2015 and 2014.

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 trade debtors 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

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

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss 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 loss	
		2015 US$'000	2014 US$'000
USD	Strengthened by 5% (2014: 5%)	(468)	(397)
	Weakened by 5% (2014: 5%)	468	397
SGD	Strengthened by 5% (2014: 5%)	6	1
	Weakened by 5% (2014: 5%)	(6)	(1)

33. Financial instruments

Categories of financial instruments

	Note	Group		Company	
		2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Loans and receivables					
Amounts due from subsidiary companies	17	–	–	9,046	7,306
Amount due from holding company	20	1,021	981	1,021	981
Trade debtors	21	270	223	–	–
Other debtors	18	625	3,266	340	1,878
Cash and cash equivalents	22	10,426	13,915	9,481	13,113
		12,342	18,385	19,888	23,278
Financial liabilities measured at amortised cost					
Trade creditors and accruals	23	1,096	618	412	241
Other creditors	24	533	514	181	209
Amount due to holding company	25	–	12	–	12
Amounts due to subsidiary companies	26	–	–	137	156
		1,629	1,144	730	618
Available-for-sale financial assets	15	636	142	620	126

NOTES TO FINANCIAL STATEMENTS

31 December 2015

34. Fair values of assets and liabilities

(i) Fair value hierarchy

The Group categories 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 that 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.

(ii) Assets and liabilities measured at fair value

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**	
	2015 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				
Available-for-sale financial assets (Note 15)				
Equity securities				
Quoted equity securities	136	136	120	120
Total equity securities and financial assets measured at fair value as at 31 December 2015	136	136	120	120

NOTES TO FINANCIAL STATEMENTS

31 December 2015

34. Fair values of assets and liabilities (cont'd)

(ii) Assets and liabilities measured at fair value (cont'd)

	Group		Company	
	2014 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				
Available-for-sale financial assets (Note 15)				
Equity securities				
Quoted equity securities	142	142	126	126
Total equity securities and financial assets measured at fair value as at 31 December 2014	142	142	126	126

(iii) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group				Company			
	2015 US$'000		2014 US$'000		2015 US$'000		2014 US$'000	
	Carrying amount	Fair Value (Level 3)	Carrying amount	Fair Value (Level 3)	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets								
Investment securities, carried at cost (Note 15)	500	*	–	–	500	*	–	–

* Investment securities carried at cost

Fair value information was not disclosed for the Group's investments in equity instruments carried at cost because fair value could not be measured reliably. These equity instruments represented mainly ordinary shares in companies not quoted on any market and did not have any comparable listed industry peer. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques would be significant.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 2015 and 31 December 2014.

36. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 4 April 2016.

APPENDIX 3

Dragon Group International Limited | ANNUAL REPORT 2015

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 22 March 2016

Number of Equity Securities	:	347,944,511
Number of Treasury Shares	:	Nil
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per share

The Company does not have any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	99	149	4.36	5,491	0.00
100	-	1000	1,669	48.84	749,419	0.22
1,001	-	10,000	1,080	31.61	3,403,473	0.98
10,001	-	1,000,000	491	14.37	43,085,032	12.38
1,000,001		and above	28	0.82	300,701,096	86.42
Total			**3,417**	**100.00**	**347,944,511**	**100.00**

TWENTY LARGEST SHAREHOLDERS

S/No	Name	No. of Shares	%
1.	ASTI HOLDINGS LIMITED	142,579,302	40.98
2.	SOH POCK KHENG	16,900,000	4.86
3.	DBS NOMINEES (PRIVATE) LIMITED	14,324,859	4.12
4.	UOB KAY HIAN PRIVATE LIMITED	14,256,584	4.10
5.	HL BANK NOMINEES (SINGAPORE) PTE LTD	12,000,000	3.45
6.	LOO TZE KIAN	10,449,000	3.00
7.	RAMESH S/O PRITAMDAS CHANDIRAMANI	9,400,000	2.70
8.	DB NOMINEES (SINGAPORE) PTE LTD	8,751,150	2.52
9.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	8,362,548	2.40
10.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,616,700	2.19
11.	KOH SIOW NGEA	6,482,100	1.86
12.	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,243,019	1.51
13.	RAFFLES NOMINEES (PTE) LIMITED	4,787,594	1.38
14.	TAN NGOK PENG	4,693,800	1.35
15.	ABN AMRO CLEARING BANK N.V.	4,435,000	1.27
16.	LIM HOCK GUAN	4,249,100	1.22
17.	FORTE CAPITAL MANAGEMENT PTE LTD	3,890,000	1.12
18.	TAY PECK CHUAN LEONG	3,576,000	1.03
19.	FIONA SOH SIOK LAN MRS LIM GUAN TECK	3,173,000	0.91
20.	OCBC SECURITIES PRIVATE LIMITED	2,198,250	0.63
	Total	**287,368,006**	**82.60**

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

	Direct Interest	%	Deemed Interest	%	Total %
ASTI Holdings Limited	142,579,302	40.98	-	-	40.98

PERCENTAGE SHAREHOLDING IN PUBLIC'S HAND (RULE 723)

59.02% 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.

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DRAGON GROUP INTERNATIONAL LIMITED

APPENDIX 4

Dragon Group International Limited | ANNUAL REPORT 2015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

DRAGON GROUP INTERNATIONAL LIMITED
(Company Registration No. 199306761C)
(Incorporated in the Republic of 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 Friday, 29 April 2016 at 10.30 a.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 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 103 of the Constitution of the Company:

Dato' Shaarani B. Ibrahim	(Retiring under Regulation 103)	**(Resolution 2)**
Mr Timothy Lim Boon Liat	(Retiring under Regulation 103)	**(Resolution 3)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$178,000 for the year ended 31 December 2015 (2014: 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 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), 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, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the 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, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; 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 SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution 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, 13 April 2016

Explanatory Notes:

(i) Dato' Shaarani B. Ibrahim will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent.

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

(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 is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing a proxy or proxies must be under its common seal or the hand of its attorney or a duly authorised officer.

4. Pursuant to Section 181 of the Companies Act (Cap.50) of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36) of Singapore ("**CPF Act**"), in respect of shares purchased under the subsidiary legislation made under that CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. The instrument appointing a proxy or proxies must be deposited at **25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416,** not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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DRAGON GROUP INTERNATIONAL LIMITED

APPENDIX 5

Dragon Group International Limited | ANNUAL REPORT 2015

PROXY FORM

DRAGON GROUP INTERNATIONAL LIMITED
(Company Registration No. 199306761C)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

PROXY FORM
(Please see notes overleaf before completing this Form)

I/We*, ______________________ (Name) ______________ (NRIC/Passport No.)

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 Friday, 29 April 2016 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

(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 2015		
2	Re-election of Dato' Shaarani B. Ibrahim as a Director of the Company		
3	Re-election of Mr Timothy Lim Boon Liat 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		
6	Authority to issue shares		

Note: Voting will be conducted by poll.

Dated this _______ day of ________________ 2016

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

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

**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 proxy/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. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

4. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote at the Meeting instead of such member, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "**relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. 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.

6. The instrument appointing a proxy or proxies must be deposited at **25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416,** not less than 48 hours before the time appointed for the Meeting.

7. 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, failing which this proxy form shall be treated as invalid.

8. 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.

PERSONAL DATA PRIVACY:

By attending the Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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DRAGON GROUP INTERNATIONAL LIMITED

A member of ASTI

Blk 25, Kallang Avenue,
#06-01, Kallang Basin Industrial Estate,
Singapore 339416
Tel : (65) 6392 6922
Fax : (65) 6392 5522
Website : www.dragongp.com
(Co. Reg. No. 199306761C)