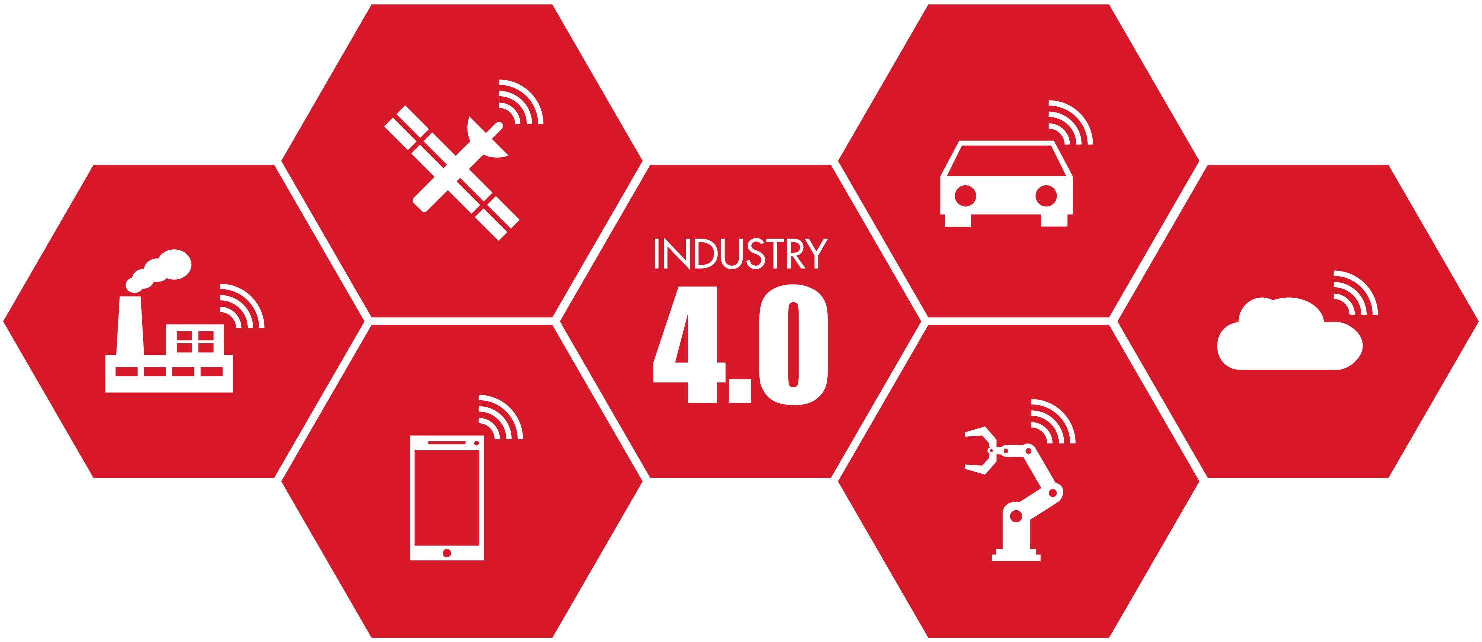
DRAGON GROUP
INTERNATIONAL LIMITED

A member of ASTI



CHALLENGES & CHANGES

ANNUAL REPORT 2019

Contents

About DGI

Founded in 1990, Dragon Group International Limited ("Dragon Group" or "DGI") was listed 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 principal business activities comprise 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.

The Group also engaged in the development of battery and storage solutions through EoCell. The research and development centre is located in the United States of America.

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

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

Letter To Shareholders and Operations Review

"With the completion of investment into EoCell Limited by Yinlong Energy Co., Ltd, there will be new prospects and opportunities for DGI."

Dear Shareholders,

The completion of investment by Yinlong Energy Co., Ltd in EoCell Limited was announced on 20 May, 2019. This has resulted in a record profit of US$17.1 million attributable to Owners of the Company.

The ensuing US-China trade war, the Covid-19 pandemic and the oil price collapse have resulted in record quarterly economic contractions. While these daunting global economic calamities and uncertainties seem insurmountable, we have experienced management who will succeed my resignation which was announced on 7 April, 2019. I will continue to reduce my travel load and work load. Our newborn daughter is now over a year old, and increasingly more family time will be needed. I will work where necessary till such time when my travel load and work load do not interfere with a stable family life.

OPERATION REVIEW

INCOME STATEMENT

The increase in revenue for the year ended 31 December 2019 was mainly due to sales increases from the Group's distribution business.

The gross profit margin decreased from 17.0% to 16.7% remains fairly constant.

The increase in other operating income was mainly due to the gain arising from the deemed disposal of the EoCell Group.

General and administrative costs decreased mainly due to costs saving measures implemented for Dragon Treasure Boat in prior year.

Deemed disposal of EoCell Group resulted in reduction of R&D costs.

Finance costs increased due to additional borrowings from holding company.

Share of results of associate was mainly due to equity accounting of EoCell Limited on 20 May 2019 subsequent to dilution of DGI's interest in EoCell Limited. The Company was previously consolidated as a subsidiary of DGI.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Assets

The decreases in intangible assets and property, plant & equipment were mainly due to the deconsolidation of EoCell Group. Correspondingly, this resulted in the changes reflected in the amount of "investment in associate" and "amount due from associate".

Stock balance was lower mainly due to lower expected sales in Jan 2020 as compared to Jan 2019.

Trade debtor balance had decreased due to better credit collections and writing off a long outstanding debt.

Liabilities

Trade creditors and accruals, and other creditors were lower mainly due to the deconsolidation of EoCell Group and settlement of trade creditors.

The increase in amount due to holding company was in relation to the additional borrowings.

Equity

As at 31 December 2019, the Group's shareholders' equity was US$10.7 million.

CASHFLOW

The Group used US$2.8 million in its operating activities. US$2.4 million was generated from investing activities which include an amount of $0.2 million that was deconsolidated upon deemed disposal of EoCell Group and US$3.0 million of loan repayment from EoCell Group. In addition, the Group also generated $0.5 million from financing activities.

As at 31 December 2019, cash and cash equivalents amounted to US$1.2 million.

OUTLOOK

ASTI Holdings Limited, the controlling shareholder of the Company, continues to work on its exit proposal to the Company's shareholders. Our shareholders will be informed of developments with respect to the above mentioned in due course. With the completion of investment into EoCell Limited by Yinlong Energy Co., Ltd, there will be new prospects and opportunities for DGI. The new management will set the appropriate course for DGI given these global firestorms ravaging through the world healthcare systems laying destruction in lives and economies in its wake. The uncertainties are unprecedented and the outcome totally unknown.

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 and to our management succession. To our shareholders, your support has been very important to us, and our new management will continue to work and bring value to all our stakeholders.

Yours Sincerely,

DATO' MICHAEL LOH
Executive Chairman and Chief Executive Officer

Board of Directors

Dato' Michael Loh Soon Gnee, 64
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 and new energy technology industries. He brings with him over 40 years of entrepreneurship, knowledge, and insight in various areas of high technology industries, and cross-border management in China, ASEAN, and USA businesses. Having spent over 20 years in Silicon Valley, USA, Dato' Loh has abundant practical business experience and a vast network of contacts in the world of technology and finance. Dato' Loh has resigned as Executive Chairman and Chief Executive Officer on 7 April 2020.

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, 55
President and Acting Chief Executive Officer
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 Admin, HR 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. Mr. Lim was appointed as President and Acting Chief Executive Officer on 8 April 2020.

Current Listed Companies' Directorships
- Dragon Group International Limited
- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships
- None

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi, 58
Independent Director
Audit Committee Chairman

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

Dato' Sri 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.

Dato' Sri Mohd. Sopiyan is currently 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 and also the Chief Executive Officer or President Director of PT Envy Technology Indonesia, a company involved in ICT Infrastructure & Security Services provider in Indonesia since June 2014.

Current Listed Companies' Directorships
- Dragon Group International Limited
- ASTI Holdings Limited
- Advanced Systems Automation Limited
- PT Envy Technology Indonesia TBK

Past 3 Years Listed Companies' Directorships
- None

Dr. Kenneth Yu Keung Yum, 72
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 generalized 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
- ASTI Holdings Limited

Dr. Daniel Yeoh Ghee Chong, Ph. D., 48
Acting Chairman
Independent Director
Remuneration Committee Chairman

PhD (Finance), Australian National University
Bachelor of Commerce (Hons), University of Adelaide
Bachelor of Economics, University of Adelaide

Dr. Daniel Yeoh possesses a well-balanced academic excellence and extensive exposure in entrepreneurial and investment banking - involved in a wide range of financial products such as initial public offerings, mergers and takeovers, fund raising, and various other corporate advisories, and was responsible in establishing the investment banking business for CIMB Investment Bank in the Northern Region of Malaysia, managing a large group of corporate clients.

Post-investment-banking, he heightens his entrepreneurship career through holding various senior leadership positions in sectors such as FMCG, luxury retail, customer engagement and loyalty services for premium lifestyle, national stock exchange, international school, budget hotels chain and so forth. He has a strong track record as a board member especially in bringing companies from start-up stage to commercialisation stage and pre-IPO stage.

Dr. Yeoh is a recipient of two Australian prestigious scholarships, whose PhD thesis was published in 2004 (co-authored with Professor Tim Brailsford) in one of the most acclaimed international finance journals, Journal of Business, entitled "An empirical examination of physical asset expenditure announcements in the Australian context: Growth opportunities and agency contexts". Dr. Yeoh was appointed Acting Chairman of the Company on 8 April 2020.

Current Listed Companies' Directorships
- Dragon Group International Limited
- ASTI Holdings Limited

Past 3 Years Listed Companies' Directorships
- None

Key Management

Anthony Loh
Vice President of Finance

Mr. Loh joined the Group in 2017 and has over 20 years of experience in finance and accounting. He is overall in charge of the Group's Finance Team and is also the Vice President of Finance of ASTI Holdings Limited and Advanced Systems Automation Limited. Prior to joining the Group, Mr. Loh has extensive working experience in MNCs, GLCs and SMEs. He is a Chartered Accountant, a non-practising member of Institute of Singapore Chartered Accountants and holds an Association of Chartered Certified Accountants (ACCA) qualification.

Colin Yeo
Vice President of DGI

Prior to joining DGI, Colin has over 30 years' experience as executive management running Asia Sales and Marketing for 2 MNCs engaged in the semiconductor industry, CEO of a diversified group including franchised semiconductor distribution and large machining factories in China and Singapore; managing the lithium ion battery start-up EoCell. Colin has extensive experience in management, operations, sales and marketing, distribution and logistics across a wide spectrum of industries.

James Soh
Vice President, Business Development, International Market

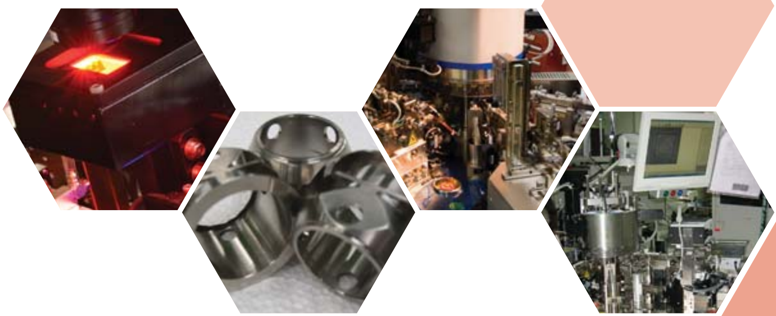
Mr. Soh joined the group in 2019 as Vice President, Business Development for international market. He has over 20 years of experience in the manufacturing and development of acoustics products supporting various multinational companies in the consumer and computing arena. Throughout his professional career, he served as CEO, General Manager and VP of operations across various facilities in Singapore and China. Mr. Soh also co-founded two other technology companies in Singapore and China. Mr. Soh holds a Diploma in Electronics Engineering from Ngee Ann Polytechnic.

Timothy Lim
President and Acting Chief Executive Officer
Group Administrative Officer

Mr. Lim brings with him over 30 years of experience in the regional semiconductor industry. As the Group Administrative Officer, he is responsible for the Admin, HR and Legal operations of the Group including that of its holding company ASTI Holdings Limited and associated company Dragon Group International Limited. Prior to this, Mr. Lim has held various positions during his career including sales and management. Mr. Lim holds a Diploma in Sales and Marketing from CIMUK.

Financial Highlights

RESULT OF OPERATIONS	2019	2018	2017
	US$'000	US$'000	US$'000
Group Income Statement			
Revenue	2,355	2,219	1,944
Profit/(Loss) before Taxation	17,034	(5,053)	(8,154)
Profit/(Loss) Attributable to Owners of the Company	17,064	(4,859)	(6,468)
Group Balance Sheets			
Non-Current Assets	19,259	5,241	3,932
Current Assets	4,349	2,342	2,257
Total Assets	23,608	7,583	6,189
Current Liabilities	12,954	14,417	8,310
Non-Current Liabilities	-	-	3
Total Liabilities	12,954	14,417	8,313
Equity Attributable to Owners of the Company	12,813	(4,687)	304
Non-Controlling Interests	(2,159)	(2,147)	(2,428)
Total Equity/(Deficit)	10,654	(6,834)	(2,124)
Basic Profit/(Loss) per share (cents)	4.9	(1.4)	(1.9)
Net Assets Value per share (cents)	3.7	(1.3)	0.1
Weighted average number of shares in the year	347,944,511	347,944,511	347,944,511
Number of shares (excluding treasury shares) as at end of year	347,944,511	347,944,511	347,944,511
Financial Ratios			
Return on Average Shareholders' Fund (%)	420	222	(175)
Gearing Ratio (%)	48	155	96
Current Ratio (Times)	0.34	0.16	0.27



Corporate Information

BOARD OF DIRECTORS

Executive:

Dato' Michael Loh Soon Gnee
Executive Chairman and Chief Executive Officer
Resigned on 7 April 2020

Timothy Lim Boon Liat
President and Acting Chief Executive Officer
Executive Director and Group Administrative Officer

Non-Executive:

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Lead Independent Director

Dr. Kenneth Yu Keung Yum
Independent Director

Dr. Daniel Yeoh Ghee Chong
Acting Chairman
Independent Director

AUDIT COMMITTEE

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Dr. Kenneth Yu Keung Yum
Dr. Daniel Yeoh Ghee Chong

NOMINATING COMMITTEE

Dr. Kenneth Yu Keung Yum
Chairman

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Dr. Daniel Yeoh Ghee Chong

REMUNERATION COMMITTEE

Dr. Daniel Yeoh Ghee Chong
Chairman

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Dr. Kenneth Yu Keung Yum

COMPANY SECRETARY

Dayne Ho Chung Wei

EXECUTIVE OFFICER

Anthony Loh
Vice President of Finance

Colin Yeo
Vice President of DGI

James Soh
Vice President, Business Development, International Market

REGISTERED OFFICE

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

BUSINESS OFFICE

Block 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

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

APPENDIX 1

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2019

Dragon Group International Limited (the "**Company**") and its subsidiaries (collectively, the "the **Group**") are committed to maintaining a high standard of corporate governance and complying with the Singapore Code of Corporate Governance 2019 ("**CCG**" or the "**Code**"), which took effect from 1 January 2019. 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 2019 ("**FY2019**") 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 Board endeavours to provide shareholders with balanced and understandable assessments of the Group's performance, financial position and prospects on a quarterly basis. This responsibility extends to the provision of interim and other price sensitive public reports including those to regulators (if and whenever required).
The principal functions of the Board are:

- 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;
- 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 the 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**");
- considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation;
- approving annual budgets, major funding proposals, investment and divestment proposals of the Company; and
- providing oversight in the proper conduct of the Company's business and 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; and
- authorisation or approval of merger and acquisition transactions.

Typically, any transaction that is significant relative to the financial position of the Group, for example new investments, 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. Depending on specific requirements, new Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 210(5)(a) of the Listing Manual, which was revised to be consistent with the Code and effective from 1 January 2019, the Company will arrange for training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with 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.

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 are 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 Group 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 and removal of the Company Secretary, as well as 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 ("**Companies Act**") and the SGX-ST's Listing Manual. The Company Secretary and/or General Counsel, under the direction of the Executive Chairman and Group 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.

Principle 2: Board Composition and Guidance

There is a strong and independent element on the Board, which is to be 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, 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.

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

The Board applies the principle of clear division of responsibilities at the top of the Company. The workings of the Board and the executive responsibility of the Company's business are separated to ensure a balance of power and authority. No one individual Director has unfettered powers of decision-making.

The Executive Chairman assumed additional responsibilities as Group 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 Group 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 such that adequate time is available for discussion of all agenda items, in particular strategic issues. He also bears the responsibilities of ensuring an accurate, timely and clear flow of information to the Directors, promoting a culture of openness and debate at the Board, 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. As a general rule, Board papers are sent to Directors well in advance for Directors to review and be adequately prepared for the meeting. Management staff who have prepared the information, or who can provide additional insight into the matters to be discussed are invited to carry out presentations or attend the Board meeting as appropriate at the relevant time. In order to promote a culture of openness and debate at the Board, both Management and the Independent Directors are encouraged to contribute at the Board meetings.

All major decisions made by the Executive Chairman and Group 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 the concentration of power and authority in a single individual.

As the Executive Chairman and the Group CEO is the same person and is therefore not independent, the majority of the Board comprises of Independent Directors. In addition, the Board has also appointed a Lead Independent Director, Dato' Sri 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 Group CEO, or the Vice President, Finance may not be appropriate or not adequate in some circumstances. The Lead Independent Director leads the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. The Lead Independent Director is the principal liaison on Board issues between the Independent Directors and the Executive Chairman and Group CEO.

CORPORATE GOVERNANCE REPORT

To facilitate a more efficient check on Management and the Executive Chairman and Group CEO, the Independent Directors have been encouraged to meet without the presence of Management and the Executive Chairman and Group CEO on separate occasions. The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other directors where necessary, and the Lead Independent Director then provides feedback to the Executive Chairman and Group 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.
Dato' Sri Mohd Sopiyan B. Mohd Rashdi	Lead Independent	Chairman	Member	Member
Dr. Kenneth Yu Keung Yum	Independent	Member	Member	Chairman
Dr. Daniel Yeoh Ghee Chong	Independent	Member	Chairman	Member

The academic and professional qualifications of the Directors are set out in the Directors' profile on pages 4 and 5 of the annual report. The shareholding of each Director is set out in the Directors' Statement under the Section "Directors of the Company" on page 1 in the Directors' Statement in Appendix 2 of this annual report. In addition, pursuant to Rule 720(6) of the Listing Manual, the additional information as set out in Appendix 7.4.1 of the Listing Manual relating to the retiring Directors who are submitting themselves for re-election is disclosed in the section entitled "**Information on Directors nominated for re-election – Appendix 7.4.1 of the Listing Manual**" to be read in conjunction with the information in in the section entitled "Board of Directors" of the 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 FY2019 are set out below:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of Meetings	**4**	**5**	**1**	**1**
Directors				
Dato' Michael Loh Soon Gnee	4	5*	1*	1*
Mr. Timothy Lim Boon Liat	4	5*	1*	1*
Dr. Kenneth Yu Keung Yum	4	5	1	1
Dato' Sri Mohd Sopiyan B. Mohd Rashdi	4	5	1	1
Dr. Daniel Yeoh Ghee Chong	4	5	1	1
Mr. Peter Lai Hock Meng#	-	-	-	-

* *By Invitation*

\# *Mr. Peter Lai Hock Meng resigned as director of the Company on 3 January 2019*

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**"), Dato' Sri Mohd Sopiyan B. Mohd Rashdi and Dr. Daniel Yeoh Ghee Chong 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 Group 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 the re-appointment of Directors. In its deliberations on the re-election 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 are required to submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company's Constitution provides that at least 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' Statement under the Section "Directors' interests in shares and debentures" on page 1 of the Directors' Statement in Appendix 2 of this annual report.

The dates of initial appointments and the 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 & Group CEO	23 October 2003	15 August 2019
Mr. Timothy Lim Boon Liat	Executive Director	12 August 2009	30 April 2018
Dr. Kenneth Yu Keung Yum	Independent Director	1 March 2010	30 April 2018
Dato' Sri Mohd Sopiyan B. Mohd Rashdi	Lead Independent Director	16 February 2011	15 August 2019
Dr. Daniel Yeoh Ghee Chong	Independent	9 May 2017	30 April 2018

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:

Dr. Daniel Yeoh Ghee Chong	Independent Director	(Retiring under Regulation 89)
Dr. Kenneth Yu Keung Yum	Independent Director	(Retiring under Regulation 89)

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 5% 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.

In relation to the assessment of the independence of the Directors, specific tests of Directors' independence are set out in the Listing Manual to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual which took effect on 1 January 2019, a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three financial years.

In its annual review for FY2019, the NC and the Board, having considered the guidelines set out in the Code, have confirmed the status of the following Directors:

Dato' Sri Mohd Sopiyan B. Mohd Rashdi	Lead Independent
Dr. Kenneth Yu Keung Yum	Independent
Dr. Daniel Yeoh Ghee Chong	Independent

After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors, and a strong and independent element on the Board.

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 Chairman 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 his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2019, 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. There are currently no alternate directors on the Board.

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. While the Code recommends that the NC be responsible for assessing the Board as a whole and the board committees and also assessing the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board and Board Committees as a whole as each member of the Board contributes in a different way to the success of the Company and Board decisions are made collectively.

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 where each Director completes a peer evaluation form which is designed to seek their views on the various aspects of the performance of the Board performance so as to assess the overall effectiveness of the Board. These peer assessments are collated by the company secretary and consolidated responses are presented to the NC for review 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 Group CEO.

For the year under review, the NC and the Chairman took note of, *inter alia,* each individual Director's attendance at meetings of the Board, Board committees and at general meetings; level of participation in discussions at meetings; the individual Director's functional expertise and his/her commitment of time to the Company and contribution of each Director towards the Board's effectiveness and competencies and took such factors into consideration when assessing the performance of the individual Directors. 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.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

Remuneration Committee

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.

The Board has set up an RC comprising three (3) non-executive Independent Directors, namely Dr. Daniel Yeoh Ghee Chong (RC Chairman), Dato' Sri 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, Group 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 include 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; and
- 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 FY2019.

Principle 7: Level and Mix of Remuneration

In setting remuneration packages, the RC considers the level and mix of remuneration to attract, retain and motivate the Executive 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); and
- 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. Non-executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The fee takes into account factors such as effort and time spent, responsibilities undertaken and their contributions to the Board. The fees paid to the Company's Independent 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 8: Disclosure on Remuneration

Remuneration of Directors for the year ended 31 December 2019

Directors	S$	Fees (%)	Fixed Salary (%)	Variable Bonus (%)	Other Benefits (%)	Contribution From Employer (%)	Total (%)
Dato' Michael Loh Soon Gnee	745,000	5%	79%	0%	16%	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%
Dato' Sri Mohd Sopiyan B. Mohd Rashdi	40,000	100%	0%	0%	0%	0%	100%
Dr. Daniel Yeoh Ghee Chong	37,952	100%	0%	0%	0%	0%	100%
Mr. Peter Lai Hock Meng##	-	-	-	-	-	-	-

Mr. Peter Lai Hock Meng has resigned as director of the Company on 3 January 2019

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

Remuneration Band	FY2019
Between S$250,000 to S$499,999	1
Below S$250,000	1

As at the date of the Report, other than the Directors and CEO, the Group only has two (2) key management personnel. The total remuneration paid to all the key management personnel (who are not directors or CEO) amounted to approximately S$410,000. There are no terminations, retirement or post-employment benefits provided for in the employment contracts with the Directors, the Executive Chairman and Group 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 Director or Executive Chairman and Group CEO).

There were no employees who are immediate family members of a Director or the Group CEO, and whose remuneration exceeds S$100,000 during FY2019.

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

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 9: Risk Management and Internal Controls

The Board, with assistance from the AC, is responsible for determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives 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 keeps 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; and
- 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 Group 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 2019 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, has reviewed, and the Board is satisfied with the adequacy of the 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 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 page 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 10: Audit Committee

<u>Audit Committee</u>

The AC comprises three members, namely Dato' Sri Mohd Sopiyan B. Mohd Rashdi ("**AC Chairman**"), Dr. Kenneth Yu Keung Yum and Dr. Daniel Yeoh Ghee Chong, 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 (please see Directors' profile on pages 4 and 5 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, 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;
- nominates external auditors; and
- reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The AC held five meetings during the year, attendance of which is detailed on page 4 of this report. The Executive Chairman and Group 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**") two (2) times in FY2019. Part of the meetings were conducted without the presence of Management. Reports of the findings and recommendations by external auditors are done independently and presented to the AC.

The principal activities of the AC during FY2019 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, 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.

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following key audit matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the AC.

Key audit matters	**How AC reviewed these matters and what decisions were made**
Measurement of retained interest in EoCell Ltd	The AC reviewed the assessment of the valuation of the retained interest in EoCell Ltd. The AC also reviewed the methodology, basis of valuation techniques and key assumptions used in the valuation by the external valuer and management, as well as the External Auditor's findings and audit report presented. Subsequent to the reviews, the AC concurred with the management's assessment and was satisfied on the valuation provided.
Legal matters relating to an ex-employee of the Group	The AC reviewed the legal matters relating to an ex-employee of the group as presented by management. The AC also reviewed the key facts and circumstances surrounding this claim presented by the management. Subsequent to the reviews, the AC concurred with the Management's view that the Group does not have any obligation for this claim and no provision was needed in the financial statement.

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 FY2019. During FY2019, 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 fee related to the audit services provided by E&Y for FY2019 is US$81,000 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 the financial year ended 31 December 2015. 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; and
- significant internal audit observations and Management's response thereto.

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.

Whistle-blowing policy

The Company has implemented a whistle blowing policy since May 2008 that provides 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 formal complaints received by the Company under the whistle-blowing policy implemented by the Company up to the date of this annual report.

No former partner or director of E&Y or Baker Tilly is or has acted as a member of the company's AC.

Internal Audit

The internal audit function was outsourced to the Internal Auditor since FY2004. The methodology adopted by the Internal Auditor conforms to the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditor is independent of the activities it audits.

The AC approves the engagement, termination, evaluation and fees of the Internal Auditors. The Internal Auditor, 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 Internal Auditor assists the AC in monitoring and assessing the effectiveness of the Group’s material internal controls. The Internal Auditor also assists Management in identifying operational and business risks and provides recommendations to address those risks.

The Internal Auditor 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 Internal Auditor by examining the scope of the Internal Auditor’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 Internal Auditor is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 11: Shareholder Rights and Conduct of General Meetings
Principle 12: Engagement with Shareholders
Principle 13: Engagement with Stakeholders

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 gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company conducts dialogue sessions with investors, securities analysts, fund managers and the press as and when necessary. The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders to serve the best interests of the Company.

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.

As part of the Company’s investor relations policy, the Company maintains an investor relations section on the Company’s website dedicated to ensuring that pertinent information is conveyed to shareholders. Current and past annual reports, quarterly financial results and other information considered to be of interest to shareholders and the investment community are readily available on the section.

The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects. 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 Companies Act allows certain members who are relevant intermediaries such as corporations holding licences in providing nominee and custodial services and the central provident fund ("**CPF**") Board which purchases shares on behalf of CPF investors, to appoint multiple proxies to attend and participate in general meetings.

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by poll voting, which allows for an equitable and transparent voting process. Shareholders will be better able to demonstrate their concerns in a manner more accurately reflective of their shareholdings. Independent scrutineers are appointed to conduct the voting process. Independent scrutineers brief the shareholders on the e-polling voting process and verify and tabulate votes for each resolution. Shareholders are informed of the results of the voting at the general meetings, including the number of votes cast for and against each resolution and the respective percentages at the end of the general meeting. In addition, the voting results at the general meetings showing the number of votes cast for and against each resolution and the respective percentages and the name of the independent scrutineer will be announced via SGXNET after each general meeting. The company secretary prepares minutes of shareholders' meetings, which incorporate comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

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 currently does not have a formal policy on payment of dividends. The Company may declare dividends by way of an ordinary resolution of the Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of the Shareholders. The Directors may also declare an interim dividend without the approval of the Shareholders. No dividend was declared in respect of FY2019 as the Group had incurred losses in the year.

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 FY2019, 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 Group 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 FY2019:

Name of Interested Person	Aggregate value of all interested person transactions for FY2019 under review (excluding transactions less than S$100,000)
ASTI Holdings Limited (The holding company of the Group)	- Management fee charged (value of transactions amounting to US$110,000) - Interest expense (value of transactions amounting to US$250,000)

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.

Information on Directors nominated for re-election – Appendix 7.4.1 of the Listing Manual

NAME OF DIRECTORS	DR. DANIEL YEOH GHEE CHONG	DR. KENNETH YU KEUNG YUM
Date of Initial Appointment	9 May 2017	1 March 2010
Date of last reappointment (if applicable)	30 April 2018	30 April 2018
Age	48	72
Country of principal residence	Malaysia	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Dr. Daniel Yeoh as the Non-Executive and Independent director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Dr. Daniel Yeoh's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Dr. Kenneth Yu Keung Yum as the Non-Executive and Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Dr. Kenneth Yu's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive & Independent director Remuneration Committee Chairman Audit Committee Member Nominating Committee Member	Non-Executive and Independent Director Nominating Committee Chairman Audit Committee Member Remuneration Committee Member
Professional Qualifications	• PhD (Finance), Australian National University • Bachelor of Commerce (Hons), University of Adelaide • Bachelor of Economics, University of Adelaide	PhD Electrical Engineering and Applied Physics, Stanford University

CORPORATE GOVERNANCE REPORT

NAME OF DIRECTORS	DR. DANIEL YEOH GHEE CHONG	DR. KENNETH YU KEUNG YUM
Working experience and occupation(s) during the past 10 years	2018 – Current ASTI Holdings Limited Independent Director 2017-Current Dragon Group International Limited Independent Director 2015- Current Consortio Services Pte Ltd Director 2009 – 2013 Epsom College Malaysia Sdn Bhd Alternate Director	2010 – Current (Group Technology Advisor) ASTI Holdings Limited 2016 – 2018 (Independent Director) ASTI Holdings Limited 2015 - 2018 (Business Development Advisor) nwStor Limited 2015 – Current (Executive Director) Sky1 Technology Limited 2010 – Current (Independent Director) Dragon Group International Limited 2010 (Chief Operating Officer) Dragon Group International Limited
Shareholding interest in the listed issuer and its subsidiaries	None	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	Directorships: None Other Principal Commitments: None	Directorships: ASTI Holdings Limited Axesstel, Inc. Borischolle Ltd Other Principal Commitments: None
Present	Directorships: • ASTI Holdings Limited • DTB Limited • Dragon Group International Limited • Novel Link Malaysia Sdn Bhd • Consortio Services Pte Ltd	Directorships: • Dragon Group International Limited • Envoi1 Technology Corp • EoCell Limited • Sky1 Technology Limited • World Bright Enterprise Limited • Advanced Systems Automation Limited • Sky Master Corporation Ltd Other Principal Commitments: None
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE REPORT

NAME OF DIRECTORS	DR. DANIEL YEOH GHEE CHONG	DR. KENNETH YU KEUNG YUM
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

NAME OF DIRECTORS	DR. DANIEL YEOH GHEE CHONG	DR. KENNETH YU KEUNG YUM
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.		
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable as this is a re-election of director.	Not applicable as this is a re-election of director.

APPENDIX 2

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2019

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors 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 2019.

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 2019 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 as the Company has obtained an undertaking from its holding company that it will continue to provide financial support to enable the Company to continue operations for the next twelve months from the date the financial statements are authorised for issuance. The holding company has also undertaken to not recall the amounts due to itself for the next 12 months from the date the financial statements are authorised for issuance.

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
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Dr Daniel Yeoh Ghee Chong

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	At the end of the year	At 21 January 2020
The holding company – ASTI Holdings Limited ("ASTI")		**Ordinary shares**	
Dato' Michael Loh Soon Gnee			
- held in name of Director	130,209,600	130,209,600	130,209,600
Timothy Lim Boon Liat			
- held in name of Spouse	99,000	99,000	99,000

Except as disclosed in this statement, 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 external auditors of the Group and the Company;

2. Reviewed the quarterly announcements 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;

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,

Dr. Daniel Yeoh Ghee Chong Director	Timothy Lim Boon Liat Director

15 April 2020

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

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

Opinion

We have audited the financial statements of Dragon Group International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 8 to 59, which comprise the statements of financial position of the Group and the Company as at 31 December 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements. As of 31 December 2019, the Group's and Company's current liabilities exceeded its current assets by US$8,605,000 and US$6,326,000 respectively. The Group also recorded an operating cash outflow of US$2,821,000 for the financial year ended 31 December 2019. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The ability of the Group and the Company to continue as a going concern is primarily dependent on the continued financial support from ASTI Holdings Limited, a substantial shareholder of the Group and the Company, to meet the Group's and the Company's future cash obligations as and when they fall due. ASTI Holdings Limited has also undertaken to not recall the amounts due to itself for the next twelve months from the date the financial statements are authorised for issuance.

If the Group and the Company is unable to continue in operation existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Legal matters relating to an ex-employee of the Group

As stated in Note 38, the Group received a confidential settlement claim letter from an ex-employee on 7 February 2019. The ex-employee, who was terminated in 2018, also filed a claim with the California Labor Commissioner's Office on 18 June 2019. Management has assessed the facts and circumstances surrounding this claim which refer to employment and shareholder disputes that arose in 2018, as well as commission and bonus claims for the years 2017 and 2018. The matter is scheduled for a hearing with the California Labor Commissioner's office on 14 April 2020 which was postponed for another 30 days to 14 May 2020. Based on legal advice received, management is of the view that the Group does not have any obligation for the claims.

This disclosure was significant to our audit due to the size of the claim and management judgment involved in assessing whether it is probable that an outflow of resources embodying economic benefits will be required to settle the claims. Our audit procedures included inquiring the in-house legal counsel regarding the status and potential outcome of the claim, requesting and reviewing legal correspondences between the Group and its external legal advisors, as well as reviewing the adequacy of the related disclosures.

2. Measurement of retained interest in EoCell Ltd

As stated in Note 4(d), the Company's shareholding in EoCell Limited was diluted to 40% and the Company lost control over EoCell Limited. As the Company has significant influence over EoCell as an associate, the results of EoCell Limited are equity accounted from the date of loss of control.

The assessment of the valuation of the retained interest in EoCell Ltd in arriving at the gain on dilution involved significant judgment in selecting an appropriate methodology, and the key assumptions applied. We evaluated the qualifications and competence of the external valuer who was engaged by the Company to value the retained interest in EoCell Ltd at the point in time when control was deemed to be lost. We also read and considered the external valuer's reports to confirm that the valuation approach used was appropriate. We held discussions with the valuer and management to understand the basis of valuation techniques and assumptions applied to the valuation of retained interests in EoCell Ltd at the point when control was deemed to be lost. With the involvement of our internal valuation specialists, we evaluated the appropriateness of the valuation techniques used by the external valuer to determine the fair value.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

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

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR’S REPORT

For the year ended 31 December 2019

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

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 corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor’s report is Mr. Simon Yeo Seng Chong.

ERNST & YOUNG LLP

Public Accountants and
Chartered Accountants
Singapore

15 April 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Revenue	6	2,355	2,219
Cost of sales		(1,961)	(1,842)
Gross profit		394	377
Other income	7	21,069	22
Selling and marketing costs		(48)	(41)
General and administrative costs		(2,643)	(2,932)
Research and development costs		(693)	(1,936)
Finance costs	8	(267)	(234)
Other losses	9	–	(309)
Share of results of associate		(778)	–
Profit/(loss) before taxation	10	17,034	(5,053)
Taxation	11	(26)	(60)
Profit/(loss) after taxation		17,008	(5,113)
Profit/(loss) after taxation attributable to:			
Owners of the Company		17,064	(4,859)
Non-controlling interests		(56)	(254)
		17,008	(5,113)
Profit/ (loss) per share attributable to owners of the Company			
Basic (cents)	12	4.90	(1.40)

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 2019

		Group	
	Note	2019 US$'000	2018 US$'000
Profit/ (loss) for the year		17,008	(5,113)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		200	405
Realisation of revaluation reserve on the disposal of available-for-sale financial assets		–	(2)
Other comprehensive income for the year, net of tax		200	403
Total comprehensive income for the year		17,208	(4,710)
Total comprehensive income attributable to:			
Owners of the Company		17,220	(4,539)
Non-controlling interests		(12)	(171)
		17,208	(4,710)

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Intangible assets	13	34	4,676	34	34
Property, plant and equipment	14	2	565	1	1
Investments in subsidiary companies	15	–	–	26	6,019
Investment in associate	5	19,223	–	20,000	–
Investment securities	16	–	–	–	–
		19,259	5,241	20,061	6,054
Current assets					
Prepayments	17	34	50	3	11
Amounts due from subsidiary companies	18	–	–	232	4,086
Amounts due from associate	19	2,323	–	2,323	–
Stocks	21	127	243	–	–
Trade debtors	22	314	732	–	–
Other debtors	23	358	210	12	11
Cash and cash equivalents	24	1,193	1,107	100	128
		4,349	2,342	2,670	4,236
TOTAL ASSETS		**23,608**	**7,583**	**22,731**	**10,290**
EQUITY AND LIABILITIES					
Current liabilities					
Trade creditors and accruals	25	2,589	3,091	540	481
Other creditors	26	2,090	3,826	159	202
Amount due to holding company	27	8,200	7,390	8,200	7,390
Amounts due to subsidiary companies	28	–	–	95	106
Restructuring provision	29	65	63	–	–
Provision for taxation		10	47	2	4
		12,954	14,417	8,996	8,183
TOTAL LIABILITIES		**12,954**	**14,417**	**8,996**	**8,183**
NET CURRENT LIABILITIES		**(8,605)**	**(12,075)**	**(6,326)**	**(3,947)**
NET ASSETS/ (LIABILITIES)		**10,654**	**(6,834)**	**13,735**	**2,107**

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 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Equity attributable to owners of the Company					
Share capital	30	59,970	59,970	59,970	59,970
Capital reserve	31	2,525	2,525	–	–
Foreign currency translation reserve	32	161	5	–	–
Other reserve		18	(262)	–	–
Accumulated losses		(49,861)	(66,925)	(46,235)	(57,863)
		12,813	(4,687)	13,735	2,107
Non-controlling interests		(2,159)	(2,147)	–	–
TOTAL EQUITY/ (DEFICIT)		**10,654**	**(6,834)**	**13,735**	**2,107**
TOTAL EQUITY AND LIABILITIES		**23,608**	**7,583**	**22,731**	**10,290**

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital (Note 30) US$'000	Capital reserve (Note 31) US$'000	Foreign currency translation reserve (Note 32) US$'000	Other reserve US$'000	Accumulated losses US$'000	Equity attributable to owners of the Company, total US$'000	Non-controlling interests US$'000	Total (deficit)/ equity US$'000
2019								
Group								
At 1 January 2019	59,970	2,525	5	(262)	(66,925)	(4,687)	(2,147)	(6,834)
Profit for the year	–	–	–	–	17,064	17,064	(56)	17,008
Other comprehensive income								
Foreign currency translation	–	–	156	–	–	156	44	200
Other comprehensive income for the year, net of tax	–	–	156	–	–	156	44	200
Total comprehensive income for the year	–	–	156	–	17,064	17,220	(12)	17,208
Changes in ownership interests in subsidiary								
Deemed disposal of subsidiary	–	–	–	280	–	280	–	280
Total contributions by owners	–	–	–	280	–	280	–	280
At 31 December 2019	59,970	2,525	161	18	(49,861)	12,813	(2,159)	10,654

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 2019

	Attributable to owners of the Company								
	Share capital (Note 30) US$'000	Capital reserve (Note 31) US$'000	Foreign currency translation reserve (Note 32) 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 (deficit)/ equity US$'000
2018									
Group									
At 1 January 2018	59,970	2,525	(317)	2	190	(62,066)	304	(2,428)	(2,124)
Loss for the year	–	–	–	–	–	(4,859)	(4,859)	(254)	(5,113)
Other comprehensive income									
Foreign currency translation	–	–	322	–	–	–	322	83	405
Realisation of revaluation reserve on the impairment of available-for-sale financial assets	–	–	–	(2)	–	–	(2)	–	(2)
Other comprehensive income for the year, net of tax	–	–	322	(2)	–	–	320	83	403
Total comprehensive income for the year	–	–	322	(2)	–	(4,859)	(4,539)	(171)	(4,710)
Changes in ownership interests in subsidiary without a change in control									
Increase in interest in a subsidiary without change in control	–	–	–	–	(452)	–	(452)	452	–
Total contributions by owners	–	–	–	–	(452)	–	(452)	452	–
At 31 December 2018	59,970	2,525	5	–	(262)	(66,925)	(4,687)	(2,147)	(6,834)

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 2019

	Share capital (Note 30) US$'000	Accumulated losses US$'000	Total equity US$'000
2019			
Company			
At 1 January 2019	59,970	(57,863)	2,107
Profit for the year	-	11,628	11,628
At 31 December 2019	59,970	(46,235)	13,735
2018			
Company			
At 1 January 2018	59,970	(55,348)	4,622
Loss for the year	–	(2,515)	(2,515)
At 31 December 2018	59,970	(57,863)	2,107

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

CONSOLIDATED CASH FLOW STATEMENT

31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flow from operating activities			
Profit/ (loss) before taxation		17,034	(5,053)
Adjustments for:			
Impairment loss on other debtor	10	20	329
Impairment loss on available-for-sale financial assets	10	–	16
Depreciation of property, plant and equipment	10	95	244
Property, plant and equipment written off		–	3
Gain on deemed disposal of subsidiary	4(d)	(20,963)	–
Allowance for stock obsolescence	10	4	2
Restructuring	10	2	245
Interest income		(21)	(21)
Interest expense		250	209
Share of results of associate		778	–
Effects of exchange rate changes		333	414
Operating cash flow before changes in working capital		(2,468)	(3,612)
<u>Changes in working capital</u>			
(Increase)/decrease in:			
Stocks		112	(176)
Prepayments		(20)	137
Debtors		140	(506)
Amount due from holding company		–	36
Amount due from associate		(191)	–
Increase/(decrease) in:			
Creditors		(340)	696
Provisions		1	(180)
Amount due to holding company		99	313
Cash used in operations		(2,667)	(3,292)
Interest received		1	1
Interest paid		(87)	(198)
Tax refunded		1	4
Tax paid		(69)	(57)
Net cash used in operating activities		(2,821)	(3,542)

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

CONSOLIDATED CASH FLOW STATEMENT

31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flow from investing activities			
Additions to intangible assets	13	(451)	(1,573)
Purchase of property, plant and equipment	14	(1)	(2)
Cash and cash equivalents divested on deconsolidation		(189)	–
Repayment of loan from associate		3,000	–
Net cash generated from/(used in) investing activities		2,359	(1,575)
Cash flow from financing activities			
Advance for capital injection from non-controlling interest		–	123
Advance from third party		–	750
Repayment to holding company		(1,913)	–
Loan from holding company		2,461	4,150
Net cash generated from financing activities		548	5,023
Net increase/ (decrease) in cash and cash equivalents		86	(94)
Cash and cash equivalents at beginning of year		1,107	1,201
Cash and cash equivalents at end of year	24	1,193	1,107

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. Corporate information

Dragon Group International Limited (the "Company") is a limited liability company which is domiciled and incorporated in Singapore and listed 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 Company was placed on the watch-list under financial entry criteria pursuant to Rule 1311(1) of the Listing Manual of the SGX-ST on 4 March 2015, and under minimum trading price criteria pursuant to Rule 1311(2) of the Listing Manual of SGX-ST on 3 March 2016. The deadline for the Company to meet the financial exit criteria set out in Rule 1314(1) of the Listing Manual (the "Financial Exit Criteria") was 3rd March 2017 pursuant to Rule 1315 of the Listing Manual. On 14 August 2017, the Company announced that SGX-ST had granted the Company an extension of time until 3rd March 2018 to meet the Financial Exit Criteria (the "Extended Deadline"). As the Company was unable to satisfy the Financial Exit Criteria on or before the expiry of the Extended Deadline, a Delisting Notification was issued by SGX-ST to the Company on 11 April 2018. Trading in the Company's securities was ceased on 5pm, 10 May 2018 and trading will remain suspended until the completion of the exit offer. Pursuant to Listing Rule 1306, the Company or its controlling shareholder(s) must comply with Listing Rule 1309 which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to shareholders. Work on the exit proposal is on-going.

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 (International) ("SFRS(I)").

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.

Going concern uncertainty

As at 31 December 2019, the Group's and the Company's net current liabilities were US$8,605,000 and US$6,326,000 respectively (2018: US$12,075,000 and US$3,947,000). These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis as the holding company has given an undertaking letter not to recall the amounts due to itself for the next twelve months from the date the financial statements are authorised for issuance and provide continuing financial support to enable the Group and the Company to meet its liabilities as and when they fall due to continue as a going concern.

If the Group and the Company is unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

NOTES TO FINANCIAL STATEMENTS
31 December 2019

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group except as described below.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT FRS 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases-Incentives and SFRS(I) INT 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT FRS 4 at the date of initial application.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. There was no impact from adopting SFRS(I) 16 on the financial performance or position of the Group as all the leases were short-term leases. Refer to Note 2.10 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

2.3 Standards issued but not yet effective

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

Description	***Effective for annual periods beginning on or after***
Amendments to Reference to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between and Investment and its Associate or Joint Venture*	To be determined

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.4 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 control 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 an asset or liability are recognised in profit or loss.

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.

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 FINANCIAL STATEMENTS

31 December 2019

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

2.5 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.

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 Subsidiaries

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.8 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 capitalised development costs, are not capitalised 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 lives 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.

(a) Club membership

Club memberships with infinite useful lives are stated at cost less impairment losses. Club memberships with finite useful lives are amortised on a straight-line basis over 30 years.

2.9 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:

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 FINANCIAL STATEMENTS

31 December 2019

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

2.10 Leases

These accounting policies are applied on and after the initial application SFRS(I) 16, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.12(b).

(b) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

(c) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of office and factory premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

Group as a lessee

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses 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 de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

<u>Investments in equity instruments</u>

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

(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. The Group determines the classification of its financial liabilities at initial recognition. 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

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a "lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.12 Impairment of assets (cont'd)

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(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 are recognised in profit or loss. 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.

2.13 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost of materials is determined on a weighted average basis. 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.

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.

Restructuring provisions are only recognised when the group has a constructive obligation, which is when (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and the number of employee affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.16 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of semiconductor application in consumer electronics, computer peripheral and communication solution

The Group distributes electronic components and test consumables.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with a right of return.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group does not adjust revenue recognised for the expected returns as they have assessed them to be insignificant.

(b) Interest income

Interest income is recognised using the effective interest method.

2.17 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2019

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

2.17 Taxes (cont'd)

(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.

(c) Sales tax

Revenue, expenses and assets are recognised at net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.18 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

(b) Employee leave entitlement

Employee entitlements to annual leave and is recognised as a liability when they accrue to the employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the date of statement of financial position.

2.19 Segment reporting

The Group manages its business based on the Group's nature of business which are independently managed by the respective segment managers responsible for the performance of the respective segments. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.20 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

2.21 Share capital and share issuance expenses

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

2.22 Associates

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

2.22 Associates (cont'd)

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 are 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.

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

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated 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.

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements.

Determining fair value of retained interest in in associate

During the financial year, the Group's interest in EoCell Ltd was diluted from 100% to 40% and the Group assessed it lost control of the subsidiary. A gain on dilution of US$20,963,000 was recorded as a result of the dilution of interest in EoCell and loss of control. Subsequent to the loss of control, the Group measures its retained interest in EoCell Ltd at fair value and classifies it as an investment in associate. When the fair value of such investment cannot be determined from active markets, valuation techniques including price of recent investment are used. The inputs to the valuation model are derived from market observable data where possible, but where this is not feasible, a degree of judgement is required to establish fair value. As at 31 December 2019, the Group's and the Company's carrying value of the investment in EoCell Ltd were US$19,223,000 and US$20,000,000 respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. Group companies

(a) The significant subsidiary companies as at 31 December 2019 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2019 %	 2018 %
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(1)
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 (Hong Kong)	100	100
Held by Dragon Ventures Limited			
# Dragon Tourism Management Company Limited (People's Republic of China)	Develop and manage a mixed-used property (People's Republic of China)	100	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
** FE Global Shanghai Ltd	Registered company in Shanghai free-trade-zone handling manpower services (People's Republic of China)	100	100

NOTES TO FINANCIAL STATEMENTS
31 December 2019

4. Group companies (cont'd)

(a) The significant subsidiary companies as at 31 December 2019 are as follows (cont'd):

	Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity Held by the Group 2019 %	2018 %
	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[(1)]

1 Refer to Note 4(d)
* Audited by Ernst & Young LLP, Singapore
\# Not required to be audited in country of incorporation
** Audited by the following Certified Public Accounting firms:

Company	*Certified Public Accounting firm*
Spire Technologies (Taiwan) Ltd	YuanTeng CPAs & Consulting Inc
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
EoCell Limited	Y.K Leung & Co., Hong Kong
Nanjing DTB Development Co., Ltd	Jiangsu Verti-Hor Certified Public Accountants Co., Ltd
FE Global Shanghai Ltd	Shanghai Gaoren Certified Public Accountants Partnership

NOTES TO FINANCIAL STATEMENTS
31 December 2019

4. Group companies (cont'd)

(b) Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries with NCI that are material to the Group:

1. EoCell Limited ("EoCell") and its subsidiary ("EoCell Group") (for 31 December 2018)
2. Nanjing DTB Development Co., Ltd ("Nanjing DTB")
3. Spire Technologies (Taiwan) Ltd ("Spire Taiwan")

Name of subsidiary (Principal place of business)	Proportion of ownership interest held by NCI	(Loss)/Profit allocated to NCI during the reporting period US$'000	Accumulated NCI at end of reporting period US$'000
31 December 2019:			
Nanjing DTB (People's Republic of China)	40%	(84)	(2,466)
Spire Taiwan (Taiwan)	40%	28	307
31 December 2018:			
EoCell Group (Hong Kong, United States of America)	<1%	(146)	–
Nanjing DTB (People's Republic of China)	40%	(170)	(2,420)
Spire Taiwan (Taiwan)	40%	62	273

There were no dividends paid to the above NCI during the years ended 31 December 2019 and 31 December 2018.

Significant restrictions:

There were no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests except that these subsidiaries are required to seek the approval of the NCI should the Group need to deploy the assets from these subsidiaries to the Company or its other subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. Group companies (cont'd)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Nanjing DTB		Spire Taiwan	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current				
Assets	64	76	945	987
Liabilities	6,230	6,126	177	304
Net current (liabilities)/assets	(6,166)	(6,050)	768	683
Non-current				
Assets	–	–	–	–
Net (liabilities)/ assets	(6,166)	(6,050)	768	683

Summarised income statement

	Nanjing DTB		Spire Taiwan	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Revenue	–	–	1,903	1,991
(Loss)/profit before income tax	(210)	(427)	95	222
Income tax expense	–	–	(26)	(68)
(Loss)/profit for the year	(210)	(427)	69	154

Summarised statement of other comprehensive income

	Nanjing DTB		Spire Taiwan	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
(Loss)/profit for the year	(210)	(427)	69	154
Other comprehensive income	94	228	15	(18)
Total other comprehensive income for the year	(116)	(199)	84	136

Other summarised information

	Nanjing DTB		Spire Taiwan	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Net cash flows (used in)/ generated from operations	(141)	(284)	474	49
Acquisition of significant property, plant and equipment	–	–	–	–

NOTES TO FINANCIAL STATEMENTS
31 December 2019

4. Group companies (cont'd)

(d) Loss of control of subsidiaries

On 20 May 2019, the Group's subsidiary, EoCell Limited had issued 999,999,930 shares representing 40% of enlarged share capital of EoCell Limited to Yinlong Energy Co., Ltd for a consideration of US$20,000,000 and 499,999,895 shares representing 20% of the enlarged share capital to a company representing the key management of EoCell Limited. As a result, the Company's shareholding in EoCell Limited was diluted to 40% and the Company lost control over EoCell Limited. As the Company has significant influence over EoCell as an associate, the results of EoCell Limited are equity accounted from the date of loss of control.

	US$'000
Carrying amounts of assets and liabilities disposed of:	
Intangible assets	5,093
Property, plant and equipment	469
Prepayment	36
Cash and cash equivalents	189
Total assets	**5,787**
Trade creditors and accruals	294
Other creditors	759
Amount due to related party	845
Amount due to holding company	5,132
Total liabilities	**7,030**
Net liabilities disposed of	1,243
Less: Other reserves	(280)
Add: Fair value investment in associate	20,000
Gain on deemed disposal	**20,963**
Cash outflow on deemed disposal (cash and cash equivalents divested on deconsolidation)	**189**

5. Associate

The Group's material investment in associate is summarised below:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
EoCell Limited	**19,223**	–	**20,000**	–

NOTES TO FINANCIAL STATEMENTS
31 December 2019

5. Associate (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Effective equity interest held by the Group 2019 %
Held by the Company		
** EoCell Limited (Hong Kong)	Development of battery and storage solutions (Hong Kong)	40
Held by the EoCell Limited		
# EoCell Inc (United States of America)	Development of battery and storage solutions (United States of America)	40

\# Not required to be audited in country of incorporation
** Audited by the following Certified Public Accounting firms:

Company	*Certified Public Accounting firm*
EoCell Limited	Y.K Leung & Co., Hong Kong

Summarised balance sheet

	2019 US$'000
Current assets	14,633
Non-current assets	5,453
Total assets	20,086
Current liabilities	950
Non-current liabilities	2,323
Total liabilities	3,273
Net assets	16,813
Proportion of the Group's ownership	40%
Group's share of net assets	6,725
Goodwill on acquisition	12,498
Carrying amount of investment	19,223

Summarised statement of comprehensive income

The amounts below represent full year results of the associate:

	2019 US$'000	2018 US$'000
Revenue	–	–
Loss after tax for the year	3,164	–
Other comprehensive income	–	–
Total comprehensive income for the year	3,164	–

NOTES TO FINANCIAL STATEMENTS

31 December 2019

6. Revenue

Revenue is analysed as follows:

	Group	
	2019 US$'000	2018 US$'000
Primary geographical markets		
Singapore	63	106
Greater China	2,182	2,013
Others	110	100
Sale of goods	2,355	2,219
Timing of transfer of goods or services		
At a point in time	2,355	2,219

7. Other income

	Group	
	2019 US$'000	2018 US$'000
Interest income		
- Fixed deposits and current accounts	–	1
- External parties	21	20
Gain on deemed disposal of subsidiary	20,963	–
Scrap income	45	–
Aged payables written off	34	–
Others	6	1
	21,069	22

8. Finance costs

Finance costs are analysed as follows:

	Group	
	2019 US$'000	2018 US$'000
Bank charges	(17)	(25)
Interest on loan from Holding Company	(250)	(209)
	(267)	(234)

NOTES TO FINANCIAL STATEMENTS

31 December 2019

9. Other losses

Other losses are analysed as follows:

	Group	
	2019 US$'000	2018 US$'000
Impairment loss on other debtor [1]	–	(309)
	–	(309)

[1] In 2017, the Company placed a cash deposit of S$200,000 (US$147,000) with the vendor, Coeur Gold Armenia Ltd ("Coeur"), as part of consideration for acquisition of Coeur. In 2018, the Company made payments of US$162,000 on behalf of Coeur for Coeur's mining license and other fees and taxes. These amounts were recorded as "Other debtors". During the financial year, the Company recognised impairment loss of US$Nil (2018: US$309,000). The allowance is recorded in "Other losses" in the consolidated income statement.

10. Loss before taxation

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

	Group	
	2019 US$'000	2018 US$'000
Depreciation of property, plant and equipment (Note 14)	(95)	(244)
Impairment loss on other debtors (Note 23)	(20)	(329)
Impairment loss on investment securities (Note 16)	–	(16)
Foreign exchange loss	(220)	(258)
Allowance for stock obsolescence (Note 21)	(4)	(2)
Staff costs		
- Contributions to national pension schemes	(81)	(92)
- Salaries, wages, bonuses and other costs	(1,386)	(1,797)
Legal, regulatory and professional fees	(476)	(723)
Audit fees		
- Auditor of the Company	(102)	(67)
- Other auditors	(66)	(57)
Non-audit fees paid to auditor of the Company	–	(28)
Management fees (Note 34)	(110)	(111)
Restructuring expenses	(2)	(245)

NOTES TO FINANCIAL STATEMENTS

31 December 2019

11. Taxation

The major components of income tax (expense)/credit for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Current taxation		
- Singapore	(2)	–
- Other countries	(29)	(60)
Deferred income tax	3	(7)
	(28)	(67)
Overprovision in respect of prior years		
- Current taxation	2	4
- Deferred tax	–	3
	(26)	(60)

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	
	2019	**2018**
	%	**%**
Domestic statutory tax rate	(17.00)	17.00
Tax effect of:		
Deemed income for tax purposes	(0.26)	(2.30)
Expenses not deductible for tax purposes	(3.97)	(24.10)
Income not subjected to tax	20.00	–
Effect of tax exemption	0.01	0.10
Different tax rates of other countries	0.92	8.00
Utilisation of losses brought forward	0.12	–
Deferred tax assets not recognised	–	(0.10)
Overprovision in respect of prior years	0.02	0.10
Others	0.01	0.10
Effective tax rate	(0.15)	(1.20)

The Group has unutilised tax losses amounting to approximately US$7,840,000 (2018: US$7,837,000) 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. The tax losses have no expiry date.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

12. Profit/(loss) per share

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

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

	Group	
Group	2019 US$'000	2018 US$'000
Net profit/(loss) attributable to ordinary equity holders of the Company used in the computation of basic profit/(loss) per share	17,064	(4,859)
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic profit/(loss) per share	347,945	347,945

13. Intangible assets

Group	Club memberships US$'000	Development expenditure US$'000	Total US$'000
Cost			
1 January 2018	99	3,069	3,168
Additions	–	1,573	1,573
At 31 December 2018	99	4,642	4,741
Additions	–	451	451
Deemed disposal of subsidiary (Note 4(d))	–	(5,093)	(5,093)
At 31 December 2019	99	–	99
Accumulated amortisation and impairment			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	65	–	65
Net carrying amount			
At 31 December 2018	34	4,642	4,676
At 31 December 2019	34	–	34

NOTES TO FINANCIAL STATEMENTS

31 December 2019

13. Intangible assets (cont'd)

	Company	
	2019	2018
	US$'000	US$'000
Club memberships	34	34

Development expenditure

Development expenditure relates to costs incurred for the development of the Group's battery and storage solutions unit, and has an amortisation period of five years. Amortisation of the asset will begin when the asset is available for use. All development costs not eligible for capitalisation have been expensed and are recognised in the "Research and development costs" line item in the consolidated income statement.

On 20 May 2019, EoCell, which belongs to the Group's battery and storage solutions unit, had ceased to be a subsidiary of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

14. 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							
1 January 2018	2,378	74	1,416	219	9,052	52	13,191
Additions	–	–	–	2	–	–	2
Written off	–	–	–	(30)	–	–	(30)
Currency realignment	(111)	–	(12)	(9)	(425)	(2)	(559)
At 31 December 2018 and 1 January 2019	2,267	74	1,404	182	8,627	50	12,604
Additions	–	–	–	1	–	–	1
Deemed disposal of subsidiary (Note 4(d))	–	(74)	(1,153)	(2)	–	–	(1,229)
Currency realignment	(44)	–	(5)	(1)	(167)	(1)	(218)
At 31 December 2019	2,223	–	246	180	8,460	49	11,158
Accumulated depreciation and impairment							
1 January 2018	2,378	22	663	213	9,052	52	12,380
Charge for the year	–	12	230	2	–	–	244
Written off	–	–	–	(27)	–	–	(27)
Currency realignment	(111)	–	(12)	(8)	(425)	(2)	(558)
At 31 December 2018 and 1 January 2019	2,267	34	881	180	8,627	50	12,039
Charge for the year	–	4	90	1	–	–	95
Deemed disposal of subsidiary (Note 4(d))	–	(38)	(721)	(1)	–	–	(760)
Currency realignment	(44)	–	(4)	(2)	(167)	(1)	(218)
At 31 December 2019	2,223	–	246	178	8,460	49	11,156
Net carrying amount							
At 31 December 2018	–	40	523	2	–	–	565
At 31 December 2019	–	–	–	2	–	–	2

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

Company	Office equipment US$'000	Total US$'000
Cost		
At 1 January 2018	12	12
Additions	2	2
Written off	(3)	(3)
At 31 December 2018, 1 January 2019 and 31 December 2019	11	11
Accumulated depreciation and impairment		
1 January 2018	12	12
Charge for the year	1	1
Written off	(3)	(3)
At 31 December 2018 and 1 January 2019	10	10
Charge for the year	–	–
At 31 December 2019	10	10
Net carrying amount		
At 31 December 2018	1	1
At 31 December 2019	1	1

(a) Construction-in-progress

In 2017, the Group faced unforeseen delays caused by local environmental rules requiring the boat to be repositioned. This resulted in certain disagreements between shareholders of Nanjing DTB. The construction has since been suspended pending a review by the shareholders of Nanjing DTB on the future plans for the project.

Given this significant uncertainty over the Dragon Treasure Boat project as at 31 December 2017, the construction-in-progress were fully impaired.

15. Investments in subsidiary companies

	Company 2019 US$'000	2018 US$'000
Unquoted shares, at cost	2,282	2,282
Capitalization of shareholder's loan	–	5,988
Allowance for impairment	(2,256)	(2,251)
Carrying amount of investments	26	6,019
Movement in allowance account:		
At 1 January	2,251	2,247
Impairment for the year	5	4
At 31 December	2,256	2,251

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

NOTES TO THE FINANCIAL STATEMENTS
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16. Investment securities

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
At fair value through profit and loss:				
Unquoted equity shares	–	–	–	–

The unquoted equity shares consist principally of shares in HeatTech Japan Ltd ("HTJ") and Nanofuel Ltd ("NNF") which the Group acquired in 2015. The investments were impaired in 2016.

17. Prepayments

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Disclosure in statement of financial position				
Current	34	50	3	11
Non-current (Note (i))	839	839	–	–
	873	889	3	11
Allowance for impairment	(839)	(839)	–	–
	34	50	3	11

Movement in allowance account:		
At 1 January	839	839
Impairment for the year	–	–
As 31 December	839	839

(i) In 2017, prepayments in non-current assets were fully impaired given that it is not likely to be recovered based on the circumstances of the development project along the Yangtze Riverbank. An impairment charge of US$839,000 was recognised in the "Other losses" line item of the consolidated income statement for the financial year ended 31 December 2017.

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18. Amounts due from subsidiary companies

	Company	
	2019	2018
	US$'000	US$'000
Amounts due from subsidiary companies	18,808	22,304
Allowance for impairment	(18,576)	(18,218)
	232	4,086
Movement in allowance account:		
At 1 January	18,218	17,815
Charge for the year	473	403
Written off	(115)	–
At 31 December	18,576	18,218

The amounts due from subsidiary companies are non-trade in nature, unsecured and are to be settled in cash. They are non-interest bearing and repayable upon demand.

During the financial year, the Company recognised an impairment loss of US$473,000 (2018: US$403,000) on the amounts due from subsidiary companies as a result of the deteriorating financial results and financial positions of the subsidiary companies.

19. Amounts due from associate

The amounts due from associate are non-trade in nature, unsecured and are to be settled in cash. They are non-interest bearing and repayable upon demand.

20. Leases

Group as a lessee

The Group has lease for premises used in its operation which generally have lease terms within 12 months. The Group applies the 'short-term lease' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	Group
	2019
	US$'000
Expense relating to leases of short-term lease (included in General and administrative costs)	22
Total amounts recognised in profit or loss	22

NOTES TO THE FINANCIAL STATEMENTS

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21. Stocks

	Group 2019 US$'000	Group 2018 US$'000
Statement of financial position		
Finished goods	127	243
Income statement		
Stocks recognised as an expense in cost of sales	1,919	1,803
Inclusive of the following:		
- Allowance for stock obsolescence	4	2

22. Trade debtors

	Group 2019 US$'000	Group 2018 US$'000
Trade debtors	314	2,668
Allowance for doubtful debt	–	(1,936)
	314	732

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 2019 US$'000	Group 2018 US$'000
United States Dollar	43	50

(a) Trade debtors ageing

	Group 2019 Gross US$'000	Group 2019 Allowance US$'000	Group 2019 Net US$'000	Group 2018 Gross US$'000	Group 2018 Allowance US$'000	Group 2018 Net US$'000
Not past due	230	–	230	469	–	469
Less than 30 days	50	–	50	184	–	184
30 to 60 days	2	–	2	66	–	66
61 to 90 days	31	–	31	11	–	11
More than 90 days	1	–	1	1,938	(1,936)	2
	314	–	314	2,668	(1,936)	732

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

22. Trade debtors (cont'd)

(b) Expected credit losses

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

	Group	
	2019 US$'000	2018 US$'000
Movement in allowance account:		
At 1 January	1,936	1,941
Currency realignment	–	(5)
Written off	(1,936)	–
At 31 December	–	1,936

23. Other debtors

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Deposits	11	19	–	6
Due from related parties	12	6	3	1
Sundry debtors	2,915	2,612	718	691
	2,938	2,637	721	698
Allowance for doubtful debts	(2,580)	(2,427)	(709)	(687)
	358	210	12	11
Movement in allowance account:				
As 1 January	2,427	2,086	687	358
Charge for the year	20	329	20	329
Exchange differences	133	12	2	–
As 31 December	2,580	2,427	709	687

Sundry debtors included loans of US$2,580,000 (2018: US$2,427,000) to third parties. The loans were secured, bore interest at market rates and were repayable on demand in cash. During the financial year, the Group recognised an additional impairment loss on the loans in the "General and administrative costs" line item in the consolidated income statement.

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

	Group	
	2019 US$'000	2018 US$'000
United States Dollar	218	74
Singapore Dollar	7	3
Thailand Baht	75	70

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24. Cash and cash equivalents

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Cash at bank and on hand	1,193	1,107	100	128
	1,193	1,107	100	128

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

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

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
United States Dollar	486	564	–	–
Singapore Dollar	42	75	42	74
Hong Kong Dollar	–	12	–	–

25. Trade creditors and accruals

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade creditors	372	879	–	–
Accruals	2,217	2,212	540	481
	2,589	3,091	540	481

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

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

	Group	
	2019 US$'000	2018 US$'000
United States Dollar	291	665
Singapore Dollar	531	455
Thai Baht	224	209

26. Other creditors

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Proposed directors' fees	131	158	131	158
Sundry creditors	146	245	28	44
Due to a related party	–	824	–	–
Advances from third party[(1)]	–	750	–	–
Advances for capital injection from non-controlling interest	1,813	1,849	–	–
	2,090	3,826	159	202

NOTES TO THE FINANCIAL STATEMENTS

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26. Other creditors (cont'd)

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	
	2019 US$'000	2018 US$'000
Singapore Dollar	138	170
United States Dollar	–	40
Thai Baht	46	68

(1) During the year ended 31 December 2018, the Group received advances of US$750,000 from a third party for funding of research and development costs in EoCell Ltd. Under the subscription agreement with Yinlong Energy Co Ltd, the advances are repaid to Yinlong Energy Co Ltd upon completion of the divestment of EoCell Ltd.

27. Amount due to holding company

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Loan (unsecured)	7,443	6,895	7,443	6,895
Interest payable	183	28	183	28
Others – payments made on behalf	574	467	574	467
	8,200	7,390	8,200	7,390

The loan to holding company is non-trade in nature and bears interest at 3.4% (2018: 3.4% to 5.3%) per annum. The amount is repayable on demand in cash. However, the holding company has agreed to not recall the amount for the next twelve months from the date the financial statements are authorised for issuance.

The others balance is non-trade in nature, interest-free and repayable on demand in cash.

A reconciliation of liabilities arising from financing activities is as follows:

	2018	Cash flows	Accretion of interests	2019
	US$'000	US$'000	US$'000	US$'000
Loans				
- current	6,923	548	155	7,626
Total	6,923	548	155	7,626

	2017	Cash flows	Accretion of interests	2018
	US$'000	US$'000	US$'000	US$'000
Loans				
- current	2,754	4,150	19	6,923
Total	2,754	4,150	19	6,923

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28. 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.

29. Restructuring provision

	Group	
	2019	**2018**
	US$'000	**US$'000**
1 January	63	–
Arose during the financial year	2	245
Utilised	–	(180)
Exchange differences	–	(2)
	65	63

During 2018, the Group committed to a plan to restructure its operations in Nanjing DTB due to significant uncertainty over the Dragon Treasure Boat project. Following management's decision of the plan, the Group recognised a provision of US$245,000 for expected staff restructuring costs. These costs were fully provided for in the current reporting period. The remaining provision of US$65,000 is expected to be fully utilised over the next 12 months.

30. Share capital

	Group and Company			
	2019		**2018**	
	No. of shares '000	**US$'000**	**No. of shares '000**	**US$'000**
Issued and fully paid ordinary shares				
At beginning and end of the year	347,945	59,970	347,945	59,970

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

31. Capital reserve

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

32. 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 THE FINANCIAL STATEMENTS

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33. Operating lease commitments

In 2018, the Group leases premises under non-cancellable lease arrangements within a year. The leases expire at various dates until April 2020 and contains provisions for rental adjustments. These leases have no renewal option. The Group is restricted from subleasing the leased properties to third parties.

Operating lease payments recognized in the Group's profit or loss for the financial year ended 31 December 2018 amounted to US$32,000.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows:

	Group 2018 US$'000
Not later than one year	22

Rental expenses (principally for office and factory premises) were US$32,000 (2018: US$36,000).

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 (2018: 1 year) and at rental rates based on negotiations and prevailing market rates.

Lease commitments for the Group as at 31 December 2018 relate mainly to the subsidiaries' rental payments for their office and factory premises.

As disclosed in Note 2.2 to the financial statements, the Group has adopted SFRS(I) 16 Leases on 1 January 2019. No lease payments have been recognized as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019.

34. 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	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Holding company				
Management fee expense	(110)	(111)	(110)	(111)
Interest expense	(250)	(209)	(250)	(209)
Fee paid to director of a subsidiary for consultancy services	(90)	(150)	(90)	(150)

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34. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2019	**2018**
	US$'000	**US$'000**
Short-term employee benefits	945	773
Comprise amounts paid to:		
Directors of the Company	644	657
Other key management personnel	301	116
	945	773

At 1 January and 31 December 2019, 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 2019, no share options have been granted to the Company's Directors.

35. Financial risk management objectives and policies

The Group and the Company are 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 objective is to maintain a continuity of funding.

The Group's and Company's liquidity risk management policy is to maintain sufficient liquid financial assets.
The maturity profile of the Group's and the Company's financial assets and financial liabilities used for managing liquidity risk at the end of the reporting year based on contractual undiscounted repayment obligations approximates the carrying amounts on balance sheet dates as these financial assets and financial liabilities are expected to be settled within the next 12 months.

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35. 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 360 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

The Group categorizes a loan or receivable for potential write-off when a debtor fails to make contractual payments on a specific basis. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

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

(b) Credit risk (cont'd)

(i) Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2019 is determined as follows. The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

Taiwan:

31 December 2019	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	Total
Gross carrying amount	224	43	1	31	299
Loss allowance provision	–	–	–	–	–

Information regarding loss allowance of trade receivables are disclosed in Note 22.

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			
	2019		2018	
	US$'000	% of total	US$'000	% of total
By Region:				
China	4	2	6	1
Taiwan	299	95	713	97
Singapore	3	1	5	1
Malaysia	7	2	8	1
Others	1	*	–	*
	314	100	732	100

* Amounts are less than 1%

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

(b) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

At the end of the reporting period, approximately:

- 50% (2018: 81%) of the Group's trade receivables were due from 3 major customers who are multi-national companies located in Taiwan.

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 2019 and 2018.

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 22.

(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 and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in Singapore Dollar and New Taiwan Dollar.

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 considered to be long-term in nature.

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	
		2019	**2018**
		US$'000	US$'000
USD	Strengthened by 5% (2018: 5%)	(664)	(652)
	Weakened by 5% (2018: 5%)	664	652
SGD	Strengthened by 5% (2018: 5%)	(125)	(83)
	Weakened by 5% (2018: 5%)	125	83

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36. Financial instruments

Categories of financial instruments

	Note	Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
Financial assets measured at amortised cost					
Amounts due from subsidiary companies	18	–	–	232	4,086
Amount due from associate	19	2,323	–	2,323	–
Trade debtors	22	314	732	–	–
Other debtors	23	358	210	12	11
Cash and cash equivalents	24	1,193	1,107	100	128
		4,188	2,049	2,667	4,225
Financial liabilities measured at amortised cost					
Trade creditors and accruals	25	2,589	3,091	540	481
Other creditors[1]	26	277	1,977	159	202
Amount due to holding company	27	8,200	7,390	8,200	7,390
Amounts due to subsidiary companies	28	–	–	95	106
		11,066	12,458	8,994	8,179
Financial assets measured at fair value through profit and loss					
Investment securities	16	–	–	–	–

(1) excludes advances from capital injection from non-controlling interest

37. 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 2019 and 31 December 2018.

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37. Capital management (cont'd)

	Group	
	2019	2018
	US$'000	US$'000
Trade creditors and accruals (Note 25)	2,589	3,091
Other creditors (Note 26)	2,090	3,826
Amount due to holding company (Note 27)	8,200	7,390
Less: - Cash and cash equivalents (Note 24)	(1,193)	(1,107)
Net debt	11,686	13,200
Equity attributable to owners of the Company	12,813	(4,687)
Total capital	12,813	(4,687)
Capital and net debt	24,499	8,513
Gearing ratio	48%	155%

38. Legal contingencies

On 7 February 2019, an ex-employee of a DGI subsidiary and his joint venture vehicle has written in to the Company to quantify their claims for the purpose of seeking a settlement for negotiations over certain disputes. The employee, who was terminated in 2018, is claiming US$3,750,000 relating to employment and shareholder disputes which arose in 2018.

On 18 June 2019, the ex-employee had filed a claim with California Labor Commissioner's Office ("CLCO") for the amount of US$750,000 for his commission and bonus for the years 2017 and 2018. On 19 November 2019, the amount claimed was revised to US$1,553,000 for his commission, bonus and late payment penalty.

A hearing with the CLCO was scheduled on 16 December 2019. It was postponed by mutual consent of DGI and the ex-employee to 21 February 2020. Due to the travel restrictions related to COVID-19, the Company submitted a request to the hearing officer to delay the hearing. The hearing date was postponed to 14 April 2020.

On 30 March 2020, the Company submitted a request to the hearing officer to further delay the hearing in view of the COVID-19 situation. The hearing date was further postponed by another 30 days to 14 May 2020.

The Group is of the view that the ex-employee's claim is without merit and unsubstantiated, and has assessed that it is possible, but not probable, that the claim will succeed.

39. Segment information

The Group has two (2018: 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 as follows:

(i) The Electronics Distribution segment is a distributor of electronic components and test consumables.

(ii) The Technology Investments and Others segment acts as the investment arm of the Group and is involved in various investment projects such as the development of batteries solutions.

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:

NOTES TO THE FINANCIAL STATEMENTS
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39. Segment information (cont'd)

	Electronics Distribution		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Revenue								
Sale to external customers	2,355	2,219	–	–	–	–	2,355	2,219
Segment Results	(47)	(205)	(2,757)	(4,066)	–	–	(2,804)	(4,271)
Depreciation of property, plant and equipment	–	–	(95)	(244)	–	–	(95)	(244)
Property, plant and equipment written off	–	(3)	–	–	–	–	–	(3)
Impairment loss on other debtor	–	–	(20)	(329)		–	(20)	(329)
Impairment loss on available-for-sale financial assets	–	–	–	(16)	–	–	–	(16)
Gain on deemed disposal of subsidiary	–	–	14,012	–	6,952	–	20,964	–
Interest expense	–	–	(250)	(209)	–	–	(250)	(209)
Interest income	1	1	20	20	–	–	21	21
Share of results of associate	–	–	(778)	–	–	–	(778)	–
Allowance for obsolete stocks	(4)	(2)	–	–	–	–	(4)	(2)
Loss before taxation	(50)	(209)	10,132	(4,844)	6,952	–	17,034	(5,053)
Taxation							(26)	(60)
Profit/ (loss) for the year							17,008	(5,113)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

39. Segment information (cont'd)

	Electronics Distribution		Technology Investments and Others		Adjustments and eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and liabilities:								
Additions to non-current assets	–	–	–	1,575	–	–	19,223	1,575
Segment assets	1,771	1,857	21,837	5,726	–	–	23,608	7,583
Unallocated assets							–	–
Total assets							23,608	7,583
Segment liabilities	388	888	12,556	13,482	–	–	12,944	14,370
Unallocated liabilities							10	47
Total liabilities							12,954	14,417

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 2019

39. Segment information (cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore	63	106	35	34
Greater China	2,182	2,013	1	4
United States of America	–	–	19,223	3,876
Others	110	100	–	–
	2,355	2,219	19,259	3,914

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$587,000 (2018: US$492,000), arising from sale by the electronics distribution segment.

40. Events occurring after reporting period

<u>COVID-19</u>

Due to the uncertainty surrounding the spread of COVID-19 globally and government decree to shut down non-essential operations in various countries, COVID-19 will have an adverse impact on the group's operations in particular on the supply chain and results, the extent of which will depend on how long the outbreak lasts.

The Group is taking steps to ensure the health and safety of employees and other stakeholders. Group management will proactively manage the business and take the necessary actions to ensure that the Group's long-term business prospects remain robust.

<u>Resignation of Executive Chairman and Group Chief Executive Officer</u>

On 7 April 2020, Dato' Michael Loh Soon Gnee had resigned as the Group Executive Chairman and Group Chief Executive Officer.

<u>Appointment of Acting Non-executive Chairman and Acting Chief Executive Officer</u>

On 8 April 2020, Timothy Lim Boon Liat was appointed as President and Acting Chief Executive Officer and Dr. Daniel Yeoh Ghee Chong was appointed as Acting Non-executive Chairman pursuant to Dato' Michael Loh Soon Gnee's resignation.

41. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 15 April 2020.

APPENDIX 3

DRAGON GROUP INTERNATIONAL LIMITED | ANNUAL REPORT 2019

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDINGS

As at 23 March 2020

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 or subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	151	4.38	5,791	0.00
100 - 1000	1,665	48.30	746,149	0.21
1,001 - 10,000	1,038	30.11	3,292,373	0.95
10,001 - 1,000,000	557	16.16	64,768,982	18.62
1,000,001 and above	36	1.05	279,131,216	80.22
Total	**3,447**	**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.	RAFFLES NOMINEES (PTE.) LIMITED	21,035,009	6.05
3.	DBS NOMINEES (PRIVATE) LIMITED	14,014,309	4.03
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	11,136,200	3.20
5.	UOB KAY HIAN PRIVATE LIMITED	8,051,853	2.31
6.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,851,650	1.97
7.	ABN AMRO CLEARING BANK N.V.	6,135,000	1.76
8.	NG YEW NAM	5,000,000	1.44
9.	LIM HOCK GUAN	4,727,000	1.36
10.	SOH POCK KHENG	4,400,000	1.26
11.	LIM & TAN SECURITIES PTE LTD	4,173,700	1.20
12.	TAY PECK CHUAN LEONG	3,576,000	1.03
13.	KHOO HO TONG	3,500,000	1.01
14.	PHILLIP SECURITIES PTE LTD	3,089,140	0.89
15.	KOH CHIN HWA	3,000,000	0.86
16.	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,663,600	0.77
17.	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,641,503	0.76
18.	FIRST CITY LOGISTICS PTE LTD	2,500,000	0.72
19.	LIM GUAN TECK	2,500,000	0.72
20.	TAN LING	2,450,000	0.70
	Total	**254,024,266**	**73.02**

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

A member of ASTI

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