

Dragon Holdings AG | Annual Report 2010

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# PROFITABLE + GROWTH-DRIVEN

## Consolidated Key Performance Indication

### KPI

<b>KPIs (€ Thousand)</b> Closing price July 28, 2011, XETRA	<b>2010*</b>
Revenues	1.323
Revenue growth rate	
EBIT	131
EBIT margin	9.9%
Consolidated net income	136
EoS (€)	n.a.
Dividend per share (€)	n.a.
Price/sales	n.a.
Price/earnings	n.a.

\*Short fiscal Year

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## IT EXPERTISE + INDUSTRY SPECIALISTS

### Trading Floor Management – Bot Trading

Dragon Holdings AG operates as a holding company. The Company, through its subsidiaries, handles various business activities related to BotTrading Technology, used to execute buy and sell trade operations automatically on worldwide futures exchanges without human intervention




# SHAREHOLDERS LETTER

Dear Shareholders

Having first carried out extensive research into potential growth areas and options for listing within Europe, our goal for 2010 fiscal year was to then establish and list Dragon Holdings AG on the Deutsche Börse. It was important for us to establish a base that would provide us with the right environment for substantial sustained growth in the coming years. We saw this region, together with the Deutsche Börse, as somewhere where we could maximize our potential and thereby provide our shareholders, current and future, with good long term growth on their investments.

Through combining a number of our well established companies under one 'roof' during the latter part of 2010, we aim to constantly increase the value of our company by profitable growth and to remain the world's leading BotTrading company with a balanced portfolio and clear long term strategy.

In the years ahead, we will continue to seek superior growth opportunities through strong positioning in growth markets, acquisitions in core businesses and an excellent innovation platform. With this in mind, we look to achieve sustainable value creation through attractive shareholder returns.



With innovation and new technologies, we will continue to open up new market opportunities, where we will combine economic success with environmental protection and social responsibility. Dragon Holdings' teams have a solid track record in areas of innovation that include BotTrading Technology, Advanced Timing Technology and Non Predictive Analysis.

Our growth clusters for the future will therefore focus on BotTrading, Non Predictive Analysis, Incubation, Timing Technology and Strategic Acquisitions.

We owe our current position to the confidence of our customers and shareholders, especially the commitment of our employees. The high motivation of the Dragon Holdings team, the constructive dialogue and friendly corporate culture provide the creative environment for the development that will enabled our company to succeed in the upcoming years. I therefore offer my thanks to all our stakeholder, who are actively shaping this path every day. It is also my personal wish to ensure that this atmosphere will remain even if our company grows to new dimensions.



Michael J. Hughes  
Executive Director

A handwritten signature in blue ink, appearing to read 'MJ Hughes'.



Pily Wong  
Executive Director

A handwritten signature in blue ink, appearing to read 'Pily Wong'.



**BOT TRADING SOFTWARE +**  
**CUSTOMISED TRADING FLOORS**  
Ensuring Success for our customers

**VISION**  
**MISSION**



# OUR STRATEGY

## Harnessing our competencies

We are firmly anchored to a strong platform supported by quality assets, quality partnerships and quality people

## Innovating Ideas

We have a strong focus in R&D. It is one of the key elements in the vital force of Dragon Holdings AG.

One of our strategic investments, Algosys Ltd, specialises in the acquisition and development of algorithms for our businesses. By staying on the forefront of innovation and technology, we seek to create breakthroughs and revolutionise today's trading practices.

## Our Edge

We are the pioneers of BotTrading, the leaders at the forefront. With our technology incubator, we acquire and develop our own algorithms for trading in Futures and forex. The term "BotTrading" is synonymous with our company and we seek to continually excel based on proven expertise. We are instrumental in ushering a new era where we welcome trading entirely based on computers running on scientifically-proven techniques.

Dragon Holdings' investment strategy is a multi-pronged approach. We combine R&D, incubation and acquisition in achieving the best possible results. Our team is managed by an expert group of experienced people who are steadfast in their belief of a business based on principles. We believe in a shareholders' stake going beyond a mere figure, but stretching further by creating a sense of ownership for our partners. An investment goes a long way in this sense as we forge unwavering bonds based on trust and experience.

## We care

BotTrading is the full automation of trading using computer servers loaded with automated trading strategies. With algorithmic trading using timing technology and an advanced use of Group Algorithm Probability Generator (GAPG), we are able to optimise your returns. You can expect better risk management with a proven formula using our own bespoke algorithmic calculations. With expert knowledge and handling, we eliminate fear and any other emotions that may affect your trading process.

## Research and Development

Algosys Ltd is our research arm specialising in the acquisition and in-house development of algorithms for trading.

### Innovations for Profitable Growth

„Dragon Holdings teams have a solid track record of innovations that contribute to improve people's lives until today. Two examples are: Developing BotTrading technology and advanced timing technology for non-predictive analysis. Dr. Stephen Lee, Executive Research Consultant

### Innovation Drivers

„Dragon Holdings teams have a solid track record of innovations that contribute to improve people's lives until today. Two examples are: Developing BotTrading technology and advanced timing technology for non-predictive analysis.

### Growth Clusters

Dragon focuses on the five growth clusters: BotTrading , Non predictive analysis , Incubation, Timing technology, Strategic acquisitions.

### Research Organization

Successful research and development combines market impulses with scientific insights. More than 1,600 people worldwide are working with BotTrading technology directly and indirectly in BotTrading research and development community.





## BOT TRADING FLOORS Management + consultancy

### Incubation

Our trading products and services are designed for individuals and companies as a total outsourcing solution. This includes:

- Management and incubation of trading floors
- Software for the algorithmic trading of Futures and FX
- Use of Group Algorithm Probability Generator (GAPG)
- Timing technology beyond technical analyses and charting

### Joint Ventures

A JV partner is an individual who invests into a company trading commodities using Algorithmic trading and then controls and manages the company,

For more information please contact [kumar@dragonholdings.net](mailto:kumar@dragonholdings.net)

These are our two main joint ventures, with others in the pipeline.

### Acquisition

Advancement in technology and volatility of global markets require our constant attention, ensuring that our products and services stay focused on better trading performance for both individual and institutional investors in futures tradings.

To this end we develop and rigorously research new products, while monitoring and innovating our current range of products and services. We also operate and deploy our own financial resources into a proprietary trading desk using our own algorithms and systems.

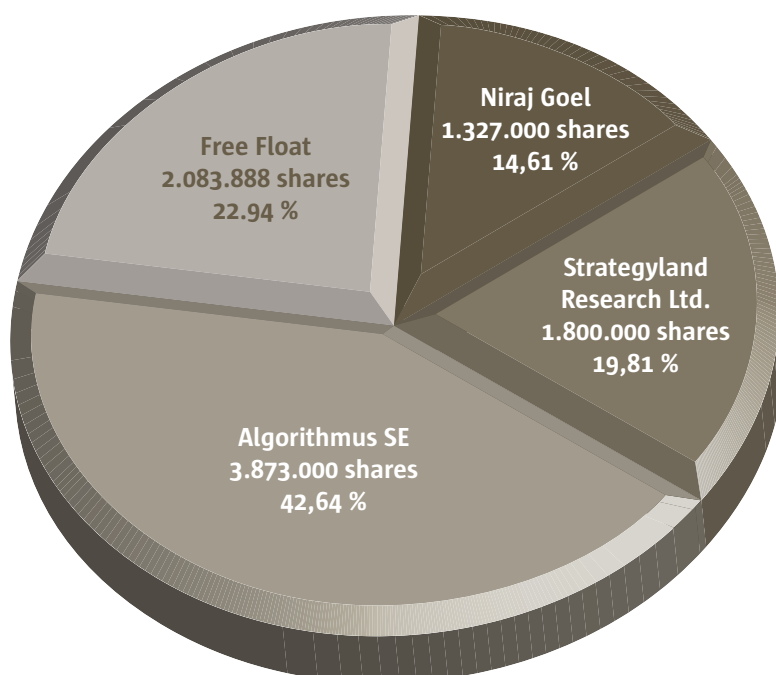
- Tradeology Ltd, Singapore
- Right Deal Ltd, Hong Kong

# DRAGON SHARE

The Dragon Share significantly outperformed the prime software reference Index (which can be considered a broad Peer Group)



## SHAREHOLDER STRUCTURE (30<sup>th</sup> July 2011)



**Total shares: 9.083.888**

## KEY DATA

### Dragon Holdings AG

Equity, ISIN DE000A1CTDS8, WKN A1CTDS, DRA

#### Xetra Trading Parameters

CCP	CapabilityYes
Instrument Type	EQU (Aktien)
Instrument Sub-Type	
Trading Model	TypeContinuous Trading
Trading Currency	EUR
Minimum Trade Size	1 (auction) / 1 (continuous trading)
Maximum Spread	5.00 %
Minimum Quote Size	600
First Trading Day*	07.02.2011
Start Pre Trading	07:31
End Post Trading	20:30
Start Intraday Auctions	13:15
Depot Type	GS
Designated Sponsor(s)	EQUINET BANK AG
Liquidity Class	3
XLM	343.966

#### Trading Parameters Xetra Frankfurt Specialist Trading

CCP Capability	Yes
Instrument Type	EQU (Aktien)
Instrument Sub-Type	
Trading Model Type	Continuous Auction
Trading Currency	EUR
Minimum Trade Size	1 (auction) / 1 (continuous trading)
First Trading Day*	23.05.2011
Start Pre Trading	07:00
End Post Trading	20:30
Depot Type	GS
Specialist	EQUINET BANK AG



# REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In the short fiscal year 2010 (as well as the year to date), the Supervisory Board observed its duties under the law, the Articles of Association of Dragon Holdings AG and its rules of procedure, focusing with particular intensity on current developments in the company and the strategic direction for the years to come. There were two meetings of the Supervisory Board. In these meetings, the Supervisory Board together with the Executive Board extensively discussed matters of corporate planning, business policy, business development, risk assessment and risk management, including in the subsidiaries.

The development in turnover and earnings at Dragon Holdings AG, the subsidiaries and the Group were regularly and thoroughly discussed by the Dragon Holdings AG Supervisory Board. The Executive Board regularly provided detailed information relating to the business planning, strategic development, business and the current situation for the Group as well as business transactions that are significant to the profitability or liquidity of the company.

Another important aspect was asking the company management about the upcoming decisions, especially with regard to the implementation of the growth strategy.

The Chairman of the Supervisory Board also kept in regular contact with the members of the Executive Board outside of meetings and kept himself informed at various opportunities and by asking the management about current developments and upcoming decisions. The Chairman dealt in particular with the examination of the Annual Financial Statement produced by the Executive Board.

The Supervisory Board was involved in all major strategic business decisions and has extensively discussed, tested and - where necessary - also approved them. The Executive Management fulfilled its duties to the Supervisory Board at all times, in full and promptly; there were no further additional or supplementary reports required from the Executive Board. In line with the monitoring activities, the Supervisory Board was confident of the legality and proper corporate governance of the company by the Executive Board. It has discussed the organization of the

company with the Executive Board and was confident of its performance.

The Executive Board regularly submitted all the activities and transactions that require the approval of the Supervisory Board to the Supervisory Board for decision. The Executive Board's proposed resolutions and the activities and transactions submitted for approval were approved by the Supervisory Board following a thorough examination and consultation in each case.

The Annual Financial Statement of 31 December 2010 was audited by the appointed auditor WAPAG. The Supervisory Board approved and thereby confirmed the result of the review carried out by the auditor.



## INSPIRING OTHERS

Dragon Holdings AG is focused on its business, but it is also dedicated in giving back to the community. As we strive for success in our business, we also make efforts in philanthropy to help those around us.

‘Cause no Harm’ is the core philosophy that Dragon Holdings embraces unconditionally. We see it as the linchpin for all aspects of our organization, encompassing our business conduct, and our overall corporate strategy

- Cause No Harm to OURSELVES as individuals
- Cause No Harm to OTHERS
- Cause No Harm to OUR EQUIPMENT AND MATERIALS
- Cause No Harm to OTHER’S ASSETS
- Cause No Harm to THE ENVIRONMENT
- Cause No Harm to THE PLANET as a whole FUTURE GENERATIONS

# MANAGEMENT REPORT

## for Dragon Holding AG

### and the Group for the 2010 fiscal year

As the parent company, Dragon Holdings AG maintains direct and indirect holdings in AlgoSys Germany AG (Germany) with 51%, Right Deal Ltd. (Hong Kong) with 100% and with 51 % in Tradeology Ltd. in Singapore. This latter company has a 52% holding in both Vito Trading Ltd. (British Virgin Islands) and Capital Win Ltd. (Republic of Seychelles), all headquartered in Munich with additional offices in Cambodia, Singapore and Hong Kong.

#### **Areas of activity and organizational structure**

Dragon Holdings AG operates as a holding company. Subsidiaries handle various business activities related to BotTrading technology. These technologies execute buy and sell trades operations automatically on worldwide futures exchanges without human intervention. Dragon Holdings AG markets, throughout South East Asia, Middle East and India, trading platforms that use mathematical algorithms to trade commodity markets using GAPG and risk management software.

#### **Offices**


Dragon Holdings AG has its main office in Munich, with other offices in Taiwan (June 2011), Cambodia, Singapore and Hong Kong.

#### **Customers**

The customers basically consist of hedge funds/investment funds, brokers, High Net worth Individuals and high frequency traders, amongst others. Moreover the company is striving for additional clients in the non-financial sector who have excess cash on their balance sheet and are willing to generate a higher yield, with part of its cash in comparison to money market funds. Dragon Holdings holds shares in these JVs and therefore benefits from capital gains of the invested funds.

#### **Key products, service and business processes**

The company's core product is BotTrading™, a smart software that automatically connects to the worldwide Futures Exchanges and executes “Buy” and “Sell” trade operations, executing orders in fractions of seconds on the major exchanges. The System operates full automatically



without human intervention. Dragon Holdings AG is a “BotTrading™ Technology Incubator”, acquiring or setting up Joint Ventures connected with promoting BotTrading™

#### Market

The world economy recovered better and faster from the recession in 2010 than what was expected by economic experts. Only one year after the worst recession since the end of World War II, the global economy is back on track. Led by the emerging nations such as China and India.

With respect to the business model of Dragon Holdings, the rising market volatility in the course of the ongoing debt crisis especially in Europe and North America presented a good basis for the company’s trading activities.

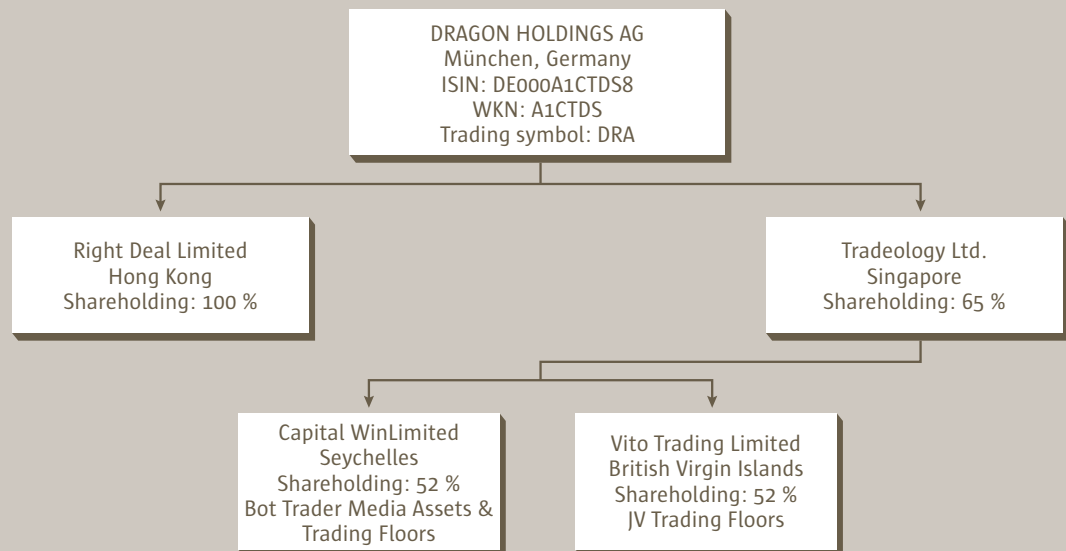
#### **Financial and Assets Situation**

The short fiscal year 2010 comprised the period from August 28<sup>th</sup> to December 31<sup>st</sup>. However revenues were mostly generated between December 15 and December 31<sup>st</sup>. During this period, the company’s revenues totaled to € 1.3 Million, which mainly consisted of the sale of electronic equipment. Net profit came in at T€ 136 and investments in associated companies totaled € 13 Million.

After setting up the company end of August there were taking place a couple of capital increases totaling in a share capital of T€ 785 resulting in an equity ratio of 11.9%. The company was free of bank liabilities.

Cash and cash equivalence summed up to T€ 844 at the year end.





## BOARD OF DIRECTORS

Executive Director

Michael J. Hughes

Executive Director

Pily Wong

Supervisory Board

Kumar N. Goel

Paul Kuoch

Mark de Rooij

Auditor

WAPAG AG

Heimeranstraße 35

80339 München

Germany

Dragon Holdings AG

Promenadenplatz 10

80333 München

Germany

## BOARD OF DIRECTORS



**Michael J Hughes, Executive Director**

Michael had spent the majority of his career in the highly competitive Commercial Aircraft Service Support industry where, amongst other things, he became responsible for researching acquisitions & mergers in the Asia-Pacific region and was twice recruited to restructure loss making companies in Europe and Asia. Prior to joining the group, Michael ran his own aircraft maintenance consultancy company for seven years.



**Pily Wong, Executive Director**

Mr. Wong is the country manager for Microsoft MDP Cambodia and CEO of Hung Hiep (Cambodia) Co. Ltd, a distributor of Mercedes-Benz and Volkswagen. He is the president of the French-Cambodian Chamber of Commerce and also president of ICT Business Association of Cambodia. In addition, he is the governor of the American Business Chamber. Mr. Wong holds a double major in Business Administration at INALCO and Computer Science from University Pierre & Marie Curie in Paris, France.



**Niraj Goel, Supervisory Board**

He has over 24 years experience in both the technology sector and in financial markets as a market maker and futures trader. Niraj was born in India and raised in Singapore. He completed his education in India where he graduated with a BA degree from the Punjab University in Chandigarh. He then acquired an MBA degree from Newport University, California 1993.



**Paul Kuoch, Supervisory Board**

Paul Kuoch is the secretary of State and advisor to First Vice President of Senate in Cambodia.

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**Mark de Rooij, Supervisory Board**

Mark de Rooij is a businessman based in Holland

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## **Dragon Holdings AG**

Consolidated Financial statements for the period ended  
31 December 2010

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# Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

### Dragon Holdings AG

Consolidated Statement of Comprehensive Income for the period ended 31 December 2010

	<u>Note</u>	<u>Period from 28/08/2010 to 31/12/2010</u> EURO
<b>Sales revenues</b>	D.1	<b>1,322,611</b>
Cost of goods sold	D.2	(1,311,104)
<b>Gross Profit</b>		<b>11,507</b>
Other operating income	D.3	101,354
Other operating expenses	D.4	(110,119)
Share of profit of an associate	E.3	128,301
Financial income	D.5	2
<b>Earnings before tax</b>		<b>131,045</b>
Income tax expense	D.6	(17)
<b>Net profit for the year</b>		<b>131,028</b>
<b>Attributable to:</b>		
Owners of the parent company		135,942
Non-controlling interest		(4,914)
<b>Net profit for the year</b>		<b>131,028</b>
<b>Other comprehensive income/(expenses) for the year</b>		-
<b>Total comprehensive profit for the year</b>		<b>131,028</b>
<b>Attributable to:</b>		
Owners of the company		135,941
Non-controlling interest		(4,914)
		<b>131,028</b>

The accompanying notes form an integral part of the financial statements.

Exhibit 1/3

# Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

## Dragon Holdings AG

Statement of Financial Position as at 31 December 2010

<b>ASSETS</b>	<b>Note</b>	<b>31/12/2010</b>
		<b>EURO</b>
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Software	E.1	2,734,497
Goodwill	E.1	345,694
		<u>3,080,191</u>
<b>Property, Plant &amp; Equipment</b>	E.2	9,364
<b>Financial assets</b>		
Investment in associate	E.3	13,080,399
Other equity investments	E.4	1,000,000
		<u>14,080,399</u>
<b>Total non current assets</b>		<u><b>17,169,953</b></u>
<b>CURRENT ASSETS</b>		
Inventory	E.5	84,705
Trade receivables	E.6	256,506
Receivables due from related parties	E.7	2,476,381
Other receivables and assets	E.8	29,844
Tax receivables		3,156
Trading Securities	E.9	2,798,642
Cash & bank balances		843,789
<b>Total current assets</b>		<u><b>6,493,023</b></u>
<b>TOTAL ASSETS</b>		<u><b>23,662,976</b></u>
<b>EQUITY</b>		
Subscribed capital	E.10	785,000
Retained earnings		135,942
<b>Shareholder's Equity</b>		<u><b>920,942</b></u>
Non-controlling interest		1,898,421
<b>Total equity</b>		<u><b>2,819,363</b></u>
<b>CURRENT LIABILITIES</b>		
Trade liabilities		2,377,100
Liabilities due to associates	G.3	961,900
Liabilities due to related parties	G.3	14,021,826
Other liabilities and accruals	G.13	3,475,176
Tax liabilities	D.6	6,995
Bank overdrafts		616
<b>Total current liabilities</b>		<u><b>20,843,613</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>23,662,976</b></u>

The accompanying notes form an integral part of the financial statements.

Exhibit 1/4

## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

### Dragon Holdings AG

Statement of Changes in Equity for the period ended 31 December 2010

	Attributable to equity holders of the Company			Non-controlling interest EURO	Total EURO
	Share capital	Accumulated losses	Total		
	EURO	EURO	EURO		
Balance at 28 August 2010	12,500	0	12,500	0	12,500
Issue of shares	772,500	0	772,500	0	772,500
Acquisition of subsidiaries	0	0	0	1,903,335	1,903,335
Net profit (loss) for the year	0	135,942	135,942	(4,914)	131,028
<b>Balance at 31/12/2010</b>	<b>785,000</b>	<b>135,942</b>	<b>920,942</b>	<b>1,898,421</b>	<b>2,819,363</b>

The accompanying notes form an integral part of the financial statements.

Exhibit 1/5

## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

## Dragon Holdings AG

Statement of Cash Flows for the period ended 31 December 2010

	Period from 28/08/2010 to 31/12/2010 EURO
Profit before taxes	131,045
Depreciation and amortisation	202
Other non-cash income	(230,313)
Decrease in receivables and other assets	255,249
Increase in current liabilities	88,269
Tax Paid	(17)
<b>Net Cash Flow Generated from Operating Activities</b>	<b>244,436</b>
Payments to acquire non-current financial instruments	(525,000)
Payments to acquire subsidiaries, net of cash acquired	(1,785)
<b>Cash Flow from Financing Activities</b>	<b>(526,785)</b>
Proceeds from issuing of shares	772,500
Net cash received from non-controlling interests	196,000
<b>Cash Flow from Financing Activities</b>	<b>968,500</b>
<b>Cash and Cash Equivalents</b>	
Net change in cash and cash equivalents	686,151
Changes in cash due to change in group structure	2,943,164
Effect of exchange rate differences	0
Cash and cash equivalents at beginning of period	12,500
<b>Cash and cash equivalents at end of period</b>	<b>3,641,815</b>
<b>Composition of cash funds</b>	
Cash	843,789
Trading Securities	2,798,642
Short-term borrowings from banks	(616)
	<b>3,641,815</b>

The accompanying notes form an integral part of the financial statements.

Exhibit 1/6



**Dragon Holdings AG**

Notes to the Financial Statements 2010

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These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

**A. Corporate Information**

The company was incorporated in Munich, Germany, at 28 August 2010.

The business combinations that built the Group took place between mid of December and end of December 2010. Therefore the consolidated income statement comprises a period from 28. August until 31 December 2010. However, to their majority, the revenues and expenses occurred between 15 December and 31 December 2010. Reference is made to note 'C. Business Combinations'.

The consolidated financial statements of Dragon Holdings AG are expressed in EURO.

The financial statements of Dragon Holdings AG for the period ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 30<sup>th</sup> May 2011.

The registered office of Dragon Holdings AG is located at Freischiuetzstrasse 96, 81927 Munich, Germany. From 1 June 2011 on Dragon Holdings AG's address will be Promenadeplatz 10, 80333 Munich, Germany.

Since 3<sup>rd</sup> February 2011 its shares are publicly traded on the Frankfurt stock exchange (Entry Standard), Germany.

Dragon Holdings AG operates as a holding company. The Company, through its subsidiaries, handles various business activities related to BotTrading Technology, used to execute buy and sell trade operations automatically on worldwide futures exchanges without human intervention.

The company develops fully automated trading algorithms and trading platforms and promotes advanced trading technology on BotTrading.

The company also acquires or set up Joint Ventures connected with promoting BotTrading

**B. Significant Accounting Policies**

**1) Basis of accounting and preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Financial Statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The consolidated financial statements are presented in Euro.

The preparation of these Financial Statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

### **New accounting standards and interpretations**

Standards issued but not yet effective are listed below and have been therefore not yet applied by the Group:

- IAS 24 Related Party Disclosures (Amendment)
- IAS 32 Financial Instruments: Presentation –Classification of Rights Issues (Amendment)
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Group does not expect material impacts resulting from the new standards and interpretations on the Group's future consolidated financial statements.

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted by the Group as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Groups' presentation of its future consolidated financial statements and notes to the financial statements:

- IFRS 3 Business Combination
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and separate Financial Statements

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

## **2) Scope of consolidation and consolidation principles**

The consolidated financial statements include the financial statements of the parent company and subsidiaries made up to the end of the financial period.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. Initial consolidation of subsidiaries in the courses of a business combination uses the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. Any excess of cost over the acquirer's interest in the net fair value of the subsidiary's net identifiable assets is recognised as goodwill. Goodwill is measured in subsequent periods at cost less accumulated impairment losses. Goodwill resulting from consolidation is tested annually for impairment and, if required, a write-down is applied. All impairment losses are recognized immediately through the income statement. Impairment reversals are not applied. If acquisition costs are lower than the values of the identifiable assets, liabilities, and contingent liabilities acquired, the difference (negative goodwill) is booked to income immediately.

Subsidiaries are de-consolidated from the date on which control ceases. Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the non-controlling's share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition.

An increase or decrease in the parent company's ownership that does not result in a loss of control is accounted for as an equity transaction according to IAS 27.

Exhibit 1/8

Group-internal balances, income, expenses, and unrealized gains and losses arising from group-internal transactions are fully eliminated.

As at 31 December 2010 Dragon Holdings AG holds directly and indirectly equity interests in 5 subsidiaries and one associate. Reference is made to 'D Business Combinations' and 'E.3 Investments in associates'.

### 3) Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Life of Algorithms

Algorithms are a set of mathematical instructions based on established economic principles and logic used for decision making in financial instrument trading. The Group is of the opinion that the algorithms can be used over a long period of time as they are based on common logic. The Group determined the lives of its algorithms with 20 years.

At each balance sheet date the company will undertake an analysis on the algorithms regarding their performance. Based on this analysis the management decides whether a write off is required. If algorithms are not longer used, the remaining carrying amount is derecognized through profit and loss.

#### (ii) Assessing the necessity and measurement of an impairment of goodwill

The impairment test for goodwill is conducted annually on the basis of business plans. These plans contain projections of the future financial performance. If their actual results fail to meet these expectations, corresponding adjustments may be necessary. As of 31 December 2010 no valuation allowances on goodwill were required.

### 4) Functional currency and foreign currency translation

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company (the "functional currency").

Transactions in foreign currencies are measured in the functional currencies of the group companies and are recorded at exchange rates approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates. All resultant exchange differences are recognised in the profit and loss account.

## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

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The net assets, financial position, results of operations and cash flows of the foreign subsidiaries are converted into EURO, that is the Group's presentation currency, as follows: income and expenses are converted using the year-average rate. The resultant conversion differences are reported as a separate component of equity. The currency difference resulting from the translation of equity is also reported as a separate component of equity.

The exchange rates of the currencies most important to the Dragon Holdings Group changed as follows:

	Spot rate 31 Dec. 2010
US-Dollar (USD)	1,325
Singapore Dollar (SND)	1,710

### 5) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognized.

#### *Sales of Goods*

Revenue is recognized when the significant risk and rewards of ownership of the goods have transferred to the buyer.

#### *Sales of Software:*

Revenue is recognized when the significant risk and rewards of ownership of the software have passed to the buyer.

#### *Sales of forex & commodities futures contracts:*

Income from forex and commodities futures contracts is net of the sales and purchase of the futures contracts as the Group does not take delivery of contracts.

#### *Monthly subscription fees*

The Group engages in the renting of its algorithms to traders on a monthly subscription basis. Subscriptions are recognized on an earned basis when all of the following conditions are satisfied:

- (i) The amount of fees can be reliably measured;
- (ii) It is probable that the economic benefits associated with the transaction will flow to the company; and
- (iii) The costs incurred or to be incurred in respect of the transaction can be reliably measured.

#### *Other income like brokerage / commissions*

Income of service agreements like brokerage and commissions are realized at the time when the services are rendered.

#### *Interest Income*

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

### 6) Tax

Actual tax reimbursement claims and tax liabilities for both the current and earlier periods are measured using the amounts expected to be received from the tax authority, or paid to the

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tax authority. The calculation is based on tax rates and tax law applicable or published as of the balance sheet date.

Deferred tax assets and liabilities are computed using the balance sheet approach in accordance with IAS 12. The deferred tax calculation is based on temporary differences between the carrying amounts in the tax accounts and the carrying amounts in the IFRS financial statements that lead to a future tax liability or benefit when assets are used or sold or liabilities are settled. The carry forwards of unused tax losses are also included in the computation of deferred tax assets.

The deferred tax assets and liabilities are measured using the tax rates that are currently expected to apply when the temporary differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date.

While deferred tax liabilities are fully provided for, deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are offset against deferred tax liabilities if the tax creditors (tax authorities) are identical and offsetting is possible.

Deferred taxes are shown as non-current in accordance with IAS 1.

## **7) Intangible assets and goodwill**

Intangible assets acquired are shown at the cost of acquisition, taking into account ancillary costs and cost reductions, and amortised on a straight-line basis over their useful economic lives.

Development costs are capitalised, provided that they satisfy the recognition criteria set out in IAS 38. These development costs include direct labour costs, costs of purchased services and workspace costs, including proportionate overheads that can be directly attributed to the preparation of the respective development project. Development costs that do not meet the requirements for capitalisation in accordance with IAS 38 are recognised in the income statement. Capitalized development costs are amortized on a straight line basis over their useful economic lives.

Research costs are always recognised as expense in the period in which they are incurred. If development costs and research costs cannot be separated, the expenditures are recognised as expenses in the period in which they are incurred.

Goodwill is regarded to have an indefinite useful life and is tested annually for impairment in accordance with IAS 36. An impairment test is also carried out if there are signs that a valuation adjustment is required. For this purpose, goodwill must be allocated to cash-generating units. The impairment is calculated using the recoverable amount of the cash generating unit to which the goodwill was allocated. An impairment loss is reported if the cash generating unit's recoverable amount is less than its carrying amount.

## **8) Property, plant & equipment**

Property, plant & equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and costs of bringing the asset to working condition for its intended use. Expenditure for addition, improvements and renewals are capitalized and expenditure for maintenance and repairs are charged to the profit and loss.

Depreciation is calculated on the straight-line method so as to write off the cost of the asset over their estimated useful lives. The annual rates used for this purpose are:

Leasehold Improvement	-	Amortised over the lease period
Furniture and Fixture	-	20% per annum
Computer Equipment	-	30% per annum

## 9) Impairment of assets

At each balance sheet date, the Group assesses whether there are indications that non-financial assets may be impaired. In instance of such indications, or where an asset requires an annual impairment test, the Group estimates the relevant asset's recoverable amount. The recoverable amount of assets is the higher of either the fair value of an asset or a cash generating unit less costs to sell, or value in use. The recoverable amount must be determined for each individual asset. If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is impaired, and written down to its recoverable amount.

Value in use is equivalent to the net present value of the future cash flows expected to be derived from an asset or cash-generating-unit. An appropriate valuation model is used to determine fair value less costs to sell. This is based on valuation multiples, as well as the stock market price of listed subsidiaries' shares, or other indicators of fair value that might be available. If no such information is available, a discounted cash flow model is applied.

With the exception of goodwill, assets are reviewed on each balance sheet date to assess whether there are indications that the reasons for a previously reported impairment do no longer exist, or have diminished. If such indications exist, the Group estimates the recoverable amount of either the asset or the cash generating unit. A previously reported impairment loss is reversed only if a change has occurred to the assumptions used for determining the recoverable amount since the last impairment loss was reported. The reversal is limited to the extent that the carrying amount of asset may exceed neither its recoverable amount nor the carrying amount that would have resulted after the deduction of scheduled depreciation if no impairment loss had been reported for the asset in previous years.

An impairment loss applied to goodwill may not be reversed in subsequent reporting periods.

## 10) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between and including 20% and 50% of the voting rights.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recording investments in associated companies initially at cost, and recognizing the Group's share of its associated companies' post-acquisition results and changes in the associate's other comprehensive income against the carrying amount of the investments. Distributions received from the associate reduce the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

### 11) Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost method. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for obsolete, damaged, slow moving and defective stocks.

### 12) Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories according to IAS 39: financial assets at "fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "available-for-sale financial assets". Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit and loss is not revocable.

All financial assets are generally recognized at the trade date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value, plus directly attributable transaction costs except for financial assets 'at fair value through profit or loss'.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the company establishes its fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing or valuation models.

As at 31 December 2010, the Group's financial assets include cash and short-term deposits, trade and other receivables which are classified as 'loans and receivables' as well as equity instruments classified as 'available-for-sale'.

The company does not designate any financial assets at fair value through profit and loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortized cost would have been had any impairment loss not been recognized at the date the impairment is reversed. Any reversal is recognized in the income statement.

Receivables are provided against when there is objective evidence that the company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

**Financial assets available-for-sale**

Available-for-sale financial assets are subsequently measured at fair value as long as the fair value can be measured reliably. Unrealized gains or losses are recognized as other comprehensive income in a separate reserve in equity until the investment is derecognized without impacting the profit or loss. At the time of derecognition the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the separate equity reserve.

If the fair value of the financial assets can not be measured reliably, the asset is carried at amortized cost. The Group carries an unquoted investment in its balance sheet which is measured at amortized cost since the fair value can not be reliably measured.

**Derecognition of financial assets**

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

**13) Trading securities**

The Group holds trading securities which comprise margin accounts at brokers for the purpose of trading of derivatives. The trading securities are classified and accounted for loans and receivables under IFRS 39.

**14) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, cash in hand and short term deposits falling due in less than three months, but excluding deposits pledged as security. Cash and cash equivalents are classified and accounted for loans and receivables under IFRS 39.

**15) Provisions**

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimates of the expenditure required to settle the obligation at the balance sheet date, and discounted to the present value where the effect is material.

**16) Financial liabilities**

Financial liabilities include trade payables, other amounts payable and interest-bearing loans. Financial liabilities are recognized on the balance sheet when, and only when, the company becomes a party to the contractual provision of the financial instrument. Financial liabilities are initially recognized at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the income and expenditure statement when the liabilities are derecognized as well as through the amortization process.



# Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

## Derecognition of financial liabilities

The liabilities are derecognized when the obligation under the liability is settled or cancelled or expired.

## 17) Employee benefits

### (i) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes and defined contribution plans are recognised as an expense in the period in which the related service is performed.

### (ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

## 18) Leases

Leases are classified as operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

Leased assets and the associated liabilities are recognised at the lower of fair value and the present value of the minimum lease payments if the criteria for classification as a finance lease are met. The leased asset is depreciated or amortised using the straight-line method over its useful life. In subsequent periods, the liability is measured using the effective interest method.

Expenses incurred in connection with operating leases are recognised as an expense on a straight-line basis of the lease term.

## C. Business combinations

As at 31 December 2010 Dragon Holdings AG holds directly and indirectly equity interests in the following companies which were acquired in 2010:

	Domicile	Date of acquisition	Equity interest as at 31 Dec. 2010 direct (indirect) %
Right Deal Ltd.	Hong Kong	15 Dec. 2010	100.0
AlgoSys Germany AG,	Germany	21 Oct, 2010	51.0
Tradeology Ltd.	Singapore	30 Dec 2010	51.0
Vito Trading Ltd.	British Virgin Islands	30 Dec 2010	(52.0)
Capital Win Ltd.	Republic of Seychelles	30 Dec 2010	(52.0)

The companies were fully included in the consolidated financial statements as at date of acquisition.

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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

With effect from 15 December 2010 Dragon Holdings acquired 100% of the shares in Right Deal Ltd. for a consideration of EURO 950,000. The principal business activity is trading of electronic components.

In course of a capital increase in Tradeology Ltd., which is the parent company of Vito Trading Ltd. and Capital Win Ltd. Dragon Holdings acquired 2,6000,000 new shares that equals 51% of the subscribed capital for a consideration of EUR 1,493,824.

The principal activity of Tradeology Ltd. is development of software, especially computer games. Vito Trading Ltd. and Capital Win Ltd. are trading floors for commodity trading.

On 21 October 2010 Dragon Holdings acquired 25,500 shares in AlgoSys Germany AG for a consideration of EUR 27,285 which represented 51% in AlgoSys Germany's share capital. Subsequently Dragon Holdings AG paid additional EURO 178,500 in course of a capital increase keeping its share of 51%.

The fair values of the identifiable acquired assets and liabilities at acquisition dates were as follows:

	Right Deal Ltd. EURO	Tradeology Ltd. EURO	Vito Trading Ltd. EURO	Capital Win Ltd. EURO
<b>Non-current Assets</b>				
Property, plant and equipment	9,554	0	0	0
Intangible assets	0	2,588,626	0	0
<b>Current Assets</b>				
Inventories	426,307	0	0	0
Trade receivables	41,114	134,731	0	0
Receivables due from related parties	0	2,476,381	0	0
Other receivables and assets	3,174	16,099	0	0
Investments in trading securities	0	0	1,239,335	1,164,307
Cash and cash equivalents	161,494	370,102	3,703	4,223
<b>Sum of acquired assets</b>	<b>641.643</b>	<b>5.585.939</b>	<b>1.243.038</b>	<b>1.168.530</b>

	Right Deal Ltd. EURO	Tradeology Ltd. EURO	Vito Trading Ltd. EURO	Capital Win Ltd. EURO
<b>Current Liabilities</b>				
Trade liabilities	8,943	2,344,702	0	0
Liabilities due from related parties	12,530	1,447,853	505,000	505,000
Other liabilities and accruals	21,469	17,731	7,546	6,037
Tax liabilities	0	6,995	0	0
Bank overdrafts	0	0	0	0
<b>Sum of acquired liabilities</b>	<b>42.942</b>	<b>3.817.281</b>	<b>512.546</b>	<b>511.037</b>

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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

The business combinations resulted in Goodwill and non-controlling interest as follows:

	Right Deal Ltd. EURO	Tradeology Ltd. EURO	Vito Trading Ltd. EURO	Capital Win Ltd. EURO
Goodwill / (gain) from consolidation	343,909	(101,354)	0	0
Non-controlling Interest	0	1,532,622	104,876	69,837

The first time consolidation of Tradeology Ltd. resulted in a negative goodwill of EURO 101,354 that was recognized as gain in the consolidated income statement.

Revenues and net results as if the Group had commenced its operating activities at beginning of the year 2010:

	EURO
Revenues	38,806,581
Right Deal Ltd.	1,677,825
Tradeology Ltd. <sup>1)2)</sup>	<u>40,484,406</u>
Net profit	
Right Deal Ltd.	3,195
Tradeology Ltd. <sup>1)2)3)</sup>	<u>166,688</u>
	<u>169,883</u>

<sup>1)</sup> Including Vito Trading Ltd. and Capital Win Ltd.

<sup>2)</sup> Revenue and profit for the period since date of incorporation 1 April 2010

<sup>3)</sup> Profit attributable to the parent company (excluding non-controlling interest)

### D. Notes to the Statement of Comprehensive Income

#### 1) Sales revenues

	Period from 28/08/2010 to 31/12/2010 EURO
Sales	<u>1,322,611</u>

The revenues consist of sale of electronic equipment.

Exhibit 1/17

# Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

## 2) Cost of goods sold

	<b>Period from 28/08/2010 to 31/12/2010 EURO</b>
Inventories	1,303,209
Freight	7,895
	<u>1,311,104</u>

## 3) Other operating income

	<b>Period from 28/08/2010 to 31/12/2010 EURO</b>
Gains from consolidation	<u>101,354</u>

The gains result from negative goodwill which has been recognized as income in accordance with IFRS 3.34.

## 4) Other operating expenses

	<b>Period from 28/08/2010 to 31/12/2010 EURO</b>
Foreign exchange losses	25,490
Traveling & transport	20,090
Audit and bookkeeping and other service fees	18,350
Salary	6,057
Vehicles	4,913
Other operating expenses	35,219
	<u>110,119</u>

## 5) Financial Income

	<b>Period from 28/08/2010 to 31/12/2010 EURO</b>
Bank interest income	<u>2</u>

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# Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

## 6) Taxation

### (a) Tax expense

Period from  
28/08/2010 to  
31/12/2010  
EURO

Current tax expense

17

### (b) Movement in provision for taxation

31/12/2010  
EURO

Balance at beginning of the period

0

Balance acquired in business combination

6,995

6,995

### c) Reconciliation between the expected and the reported tax expense

EURO

Income before tax

131,045

Expected tax expense

43,245

Gain from consolidation

-33,447

Share of profit in an associate

-42,339

Not recognized losses carried forward

32,829

Other

-271

Current tax expense

17

To determine the expected tax expense, earnings before tax have been multiplied by 33.0% which is the effective tax rate of the parent company.

## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

### E. Notes to the Statement of Financial Position

#### 1) Intangible assets

	<u>31/12/2010</u> <u>EURO</u>
Software	2,734,497
Goodwill	<u>345,694</u>
	<u>3,080,191</u>

The software was acquired in course of a business combination which took place as at 15 December 2010. The goodwill relate to the business combination with Right Deal Ltd., Hong Kong.

#### 2) Property, plant and equipment

	<u>31/12/2010</u> <u>EURO</u>
Leasehold improvement	2,965
Furniture & fixtures	3,469
Computer equipment	<u>2,930</u>
	<u>9,364</u>

The assets were acquired in course of a business combination which took place as at 15 December 2010. Depreciation for the period 15 to 31 December amount to € 202.

#### 3) Investment in an associate

	<u>Percentage of equity held 2010 %</u>	<u>Cost of Investment 2010 EURO</u>
Algosys Ltd., Seychelles	<u>13.34</u>	<u>12,952,098</u>

The shares in Algosys Ltd. were acquired on 15 December 2010. Algosys Ltd. is regarded as an associated company in accordance with IAS 28 despite the fact that the shareholding is less than 20%. Since Dragon Holdings has significant influence on the financial and operating policy decisions due to the representation on the board of directors of the investee.

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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

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	<u>EURO</u>
Cost of investment	12,952,098
Group's share in profit 2010	<u>128,301</u>
Carrying amount as of 31/12/2010	<u><u>13,080,399</u></u>

The following table illustrates summarized financial information on the Group's investments in Algosys Ltd., Seychelles, taken from its financial statements as of 31 December 2010.

	<u>31/12/2010 EURO</u>
Current assets	16,653,745
Non-current assets	3,603,972
Current liabilities	4,980
Non-current liabilities	-
Equity	<u><u>20,262,697</u></u>

	<u>Period from 16/15/2010 to 31/12/2010 EURO</u>
Revenue	1,020,734
Profit	961,778

Thereof the Group's share in the associate is 13.34%.

#### 4) Other equity investments

31/12/2010  
EURO

1,000,000

Non controlling investment available for sale.

#### 5) Inventories

31/12/2010  
EURO

Trading stock	<u>84,705</u>
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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

### 6) Trade receivables

	<u>31/12/2010</u> <u>EURO</u>
Trade receivables	<u>256,506</u>

The aging of trade receivables was as follows:

days	1-30	31-60	61-90	> 90	Total
	EURO	EURO	EURO	EURO	EURO
	<u>146,657</u>	<u>27,575</u>	<u>53,445</u>	<u>28,829</u>	<u>256,506</u>

No bad debt allowance was required.

### 7) Receivables due from related parties

	<u>31/12/2010</u> <u>EURO</u>
	<u>2,476,381</u>

The aging of receivables due from related parties was as follows:

days	1-30	31-60	61-90	> 90	Total
	EURO	EURO	EURO	EURO	EURO
	<u>2,309,499</u>	<u>-</u>	<u>-</u>	<u>166,882</u>	<u>2,476,381</u>

No bad debt allowance was required.

For more details refer to note 'G.3 Related Parties'.

### 8) Other receivables and assets

	<u>31/12/2010</u> <u>EURO</u>
Deposits	<u>8,035</u>
Other assets	<u>21,808</u>
	<u>29,843</u>



## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

### 9) Trading securities

	<u>31/12/2010</u> <u>EURO</u>
Margin accounts at brokers	<u>2,798,642</u>

Due to their nature the margin accounts at brokers are included to the Group's liquidity funds.

### 10) Share capital

Development of Share Capital:

	<u>EURO</u>
Share capital as at 28/8/2010	<u>12,500</u>
Capital increases	<u>772,500</u>
Share capital as at 31/12/2010	<u>785,000</u>

The company has 785,000 ordinary shares valued at EURO 785,000, each ordinary share carries equal voting rights with no rights to fixed payments, no par value and share of the profits.

The shareholder's meeting dated 5 November 2011 decided to increase the share capital to up to € 8.888.888. As of the date of release of the consolidated financial statements the share capital has been fully paid in.

### 11) Earnings per share

In accordance with IAS 33 Earnings per Share, undiluted earnings per share are calculated by dividing the net profit for the period attributable to the shareholders of Dragon Holdings AG by the weighted average number of shares outstanding during the financial year. To calculate diluted earnings per share, the net profit for the period is adjusted to reflect all changes in expenses and income that would have resulted from the conversion of the convertible bond and outstanding stock options. The number of shares is adjusted to reflect all changes in the number of outstanding shares that would have resulted from a conversion of the convertible bond and stock options (if any) into ordinary shares.

Due to the fact that the consolidated income statement comprises a short period of operations only the calculation of earnings per share for 2010 would provide no informative value.

### 12) Amount due to related parties

	<u>31/12/2010</u> <u>EURO</u>
Liabilities in connection with acquisition of equity instruments and other financing	<u>14,021,826</u>

For more details refer to note 'G.3 Related Parties'.

# Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

## 13) Other liabilities & accruals

	31/12/2010
	<u>EURO</u>
Other liabilities	3,462,176
Accruals	<u>13,000</u>
	<u>3,475,176</u>

To its majority other liabilities relate to the acquisition cost of equity instruments in subsidiaries and associates in 2010.

## F. Notes to the consolidated cash flow statement

The cash flow statement shows the sources and use of cash flows in the period ended 31 December 2010. In accordance with IAS 7 'Cash Flow Statement', a distinction is drawn between cash flows from operating activities and those from investing and financing activities. The cash and cash equivalents contained in the cash flow statement comprise all liquid funds shown in the balance sheet, like cash in hand, checks and bank balances if they are available within three months from the time of deposit. The cash flows from investing and financing activities are determined in relation to payments, and the cash flow from operating activities is derived indirectly, based on the net income for the year. As part of this indirect process of establishing cash flows, the changes taken into account in balance sheet items in connection with current operations are adjusted to eliminate effects resulting from currency conversion and changes to the scope of consolidation. The changes in the balance sheet items concerned cannot therefore be matched against the corresponding figures contained in the published consolidated balance sheet.

Cash flows from the net financial result (net interest income and result from equity investments) are allocated to operating activities.

### Cash flow from investing activities

In 2010 Dragon Holdings AG acquired shares in subsidiaries, associates and other equity instruments as disclosed in note 'C. Business Combination'. However, as of balance sheet date 31 December 2010 the purchase price liabilities had to their majority not been paid.

	Period from 28/08/2010 to 31/12/2010 <u>EURO</u>
Payments to acquire shares in subsidiaries	
Purchase price	205,785
Cash acquired in business combination	<u>- 204,000</u>
Net balance	<u>1,785</u>

As at 21 October 2010, Dragon Holdings AG acquired 51% of the shares in AlgoSys Germany AG for a consideration of EURO 27,285. Subsequently to acquisition Dragon Holdings AG paid additional EURO 178,500 in course of a capital increase keeping its original share of 51%.

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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

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	<b>Period from 28/08/2010 to 31/12/2010 EURO</b>
Payments to acquire non-current financial instruments	<u>525,000</u>

The payments were made to acquire a non controlling interest in equity instruments.

### Cash flow from financing activities

Dragon Holdings AG had conducted capital increases in 2010 so that the Group received cash payments of EURO 772,500 until 31 December 2010.

The minority shareholders in AlgoSys Germany AG paid EURO 196,000 in course of a capital increase.

### Composition of cash and cash equivalents

	<b>Period from 28/08/2010 to 31/12/2010 EURO</b>
Cash	843,789
Trading Securities	2,798,642
Short-term borrowings from banks	<u>-616</u>
	<u>3,641,815</u>

In total, the Group acquired cash and cash equivalents in course of the business combinations of EURO 2,943,164. Thereof EURO 2,403,642 relate to trading securities and EURO 539,522 to cash in banks.

## G. Other disclosures

### 1) Executive board

The members of Dragon Holdings AG's executive board are:

- Mr. Michael John Hughes, Singapore
- Mr. Pily Wong, Phnom Penh, Cambodia

The members of the executive board receive no compensation.

### 2) Supervisory board

The members of the supervisory board are

- Mr. Paul Kuoch, Secretary of State, Phnom Penh (until 5 November 2010)
- Mr. Niraj Goel, Singapore, Businessmann (since 15 November 2010)
- Mr. Dr. Binu Abraham, Surgeon, Dubai
- Mr. Mark De Rooij, Businessmann, Netherlands

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## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

The members of the supervisory board receive no compensation.

### 3) Related party transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the entity in governing and financial and operating policies, or that has an interest in the entity that give it significant influence over the entity in financial and operating decisions or that has joint control over the entity.

It also includes members of the key management personnel or close members of the family or any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly and indirectly any such individual. This includes parent, subsidiaries, fellow subsidiaries, associates, joint ventures, if any.

The ultimate parent of the Group is Dragon Holdings AG, Munich, Germany. The Group companies are disclosed in note 'C. Business Combinations'.

As at the balance sheet date the shares in Dragon Holdings AG are hold by:

	<u>Number of Shares held</u>	<u>percentage of shareholding</u>	<u>EURO</u>
<b>Shareholders:</b>			
Niraj Goel, Businessmann, Singapore	590,000	75.16	590,000
Technology Holdings Ltd, Singapore	195,000	24,84	195,000
	<u>785,000</u>	<u>100</u>	<u>785,000</u>

The following tables provides the amounts of transactions that have been entered into with related parties in the period ended 31 December 2010:

	<u>Amount €</u>	<u>Outstanding Receivable €</u>
Long term investment in related company	<u>2,476,381</u>	<u>2,476,381</u>

Exhibit 1/26

**Dragon Holdings AG**

Consolidated Financial Statements for the period ended 31 December 2010

	<u>Amount</u> €	<u>Outstanding Liability</u> €
<b>Transactions with Shareholder</b>		
Acquisition of equity instruments	27,285	27,285
Financing in connection with acquisition of equity instruments	826,754	826,754
Other financing	<u>1,188,059</u>	<u>1,188,059</u>
	<u>2,042,098</u>	<u>2,042,098</u>
<b>Transactions with associates</b>		
Financing in connections with acquisition of equity instruments	961,900	961,900
<b>Transactions with key management personnel</b>		
Purchase of equity instruments	802,980	802,980
<b>Transactions with other related parties</b>		
Financing in connections with acquisition of equity instruments	9,916,207	9,916,207
Other financing	<u>1,260,541</u>	<u>1,260,541</u>
	<u>11,176,748</u>	<u>11,176,748</u>
	<u>14,983,726</u>	<u>14,983,726</u>

Exhibit 1/27

## Dragon Holdings AG

Consolidated Financial Statements for the period ended 31 December 2010

### 4) Financial instruments

The following table shows the carrying amounts of all financial instruments reported in the consolidated financial statements.

	<b>31/12/2010</b>
	<b>EURO</b>
<b>Financial Assets</b>	
Loans and receivables	
Trade Receivables	256,506
Receivables due from related parties	2,476,381
Trading accounts	2,798,642
Cash and cash equivalents	843,789
	<u>6,375,318</u>
Financial assets available for sale	
Investment in associates	13,080,399
Investments in unquoted shares	1,000,000
	<u>14,080,399</u>
	<u>20,455,717</u>
	<b>31/12/2010</b>
	<b>EURO</b>
<b>Financial Liabilities</b>	
Financial liabilities at amortized cost	
Trade liabilities	2,377,100
Liabilities to associates	961,900
Liabilities due to related parties	14,021,826
Other financial liabilities	3,475,176
Bank overdraft	616
	<u>20,838,618</u>

The fair values of the financial instruments equal their carrying amounts in the consolidated balance sheet. The financial assets were acquired close to the balance sheet date in a third party transaction.

The carrying amounts of all financial assets are regarded to be fully recoverable.

The liabilities to related parties and the other financial liabilities result to their majority from the acquisition of shares in an associate company. The fair values of the financial liabilities equal substantially their carrying amounts in the balance sheet due to their short term character so that the time value is not material.

The Group's financial liabilities have no fixed maturity and are due upon demand.

### 5) Other financial obligations

Besides liabilities, accruals, there are other financial obligations consisting, in particular, of rental and lease contracts for office, and other equipment.

Exhibit 1/28

	Maturity up to 1 year EURO	Maturity up to 1-5 years EURO	Maturity over 5 years EURO
Rental and lease obligations	44,700	16,835	0

Order commitments for the supply of goods lay within usual business bounds.

#### 6) Financial risk management objective and policies

The Group's overall risk management policy seeks to minimize potential adverse effects on the financial performance of the Group. The Group however does not have any written risk management policies and guidelines. The directors of the reporting units monitor the following risks and believe that the financial risks associated with financial instruments are not material.

The main risks for the Group arising from financial instruments comprise interest-rate-related cash flow risks, and liquidity, currency, and credit risks. The company's management takes decisions on strategies and processes to manage individual types of risk, which are presented below.

##### Foreign exchange risks

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's companies incurs foreign currency risk on sales, purchases, borrowings and cash holdings that are denominated in foreign currencies. The currencies giving rise to the risk are primarily the EURO and US-Dollar. As a result, the Group is basically exposed to movements in foreign currency exchange rates. The Group does not use any financial derivatives for trading or hedging purposes.

##### Interest-rate risks

The Group's exposures to market risk for changes in interest rate relates and is limited to the Group's short term debt obligations. The Group does not use derivative financial instruments to hedge its exposure to interest rate fluctuation.

Since the group has no long term interest bearing financial liabilities, the Group is not exposed to risks resulting from fluctuation in interest rates.

##### Liquidity risks

The Company and the Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The directors of the reporting units manage the liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

##### Credit risk

The Credit risk is the risk that a business partner will not meets its obligation under a financial instrument or costumer contract, leading to a financial loss. The Group is exposed to credit risk from its operation activities (primarily for trade receivables). The customer credit risk is

managed by each subsidiary. The requirement of impairment is analyzed at each reporting date.

The maximum exposure to credit risk at the balance sheet date is the carrying amount of financial assets.

### **Price risks**

The Company's overall risk management policy seeks to minimize potential adverse effects on the financial performance of the Company. However it does not have any written risk management policies and guidelines. The directors monitor the risk management of the Company and believe that the financial risks associated with financial instruments are not material.

### **Capital management**

The primary objective of the Group's capital management system is to ensure the Group maintains a high credit rating and a good equity ratio in order to support its business operations, and to maximize shareholder value.

The Group manages and adjusts its capital structure while taking into account changes in the economic environment. The Group can adjust its dividend payments to shareholders or issue new shares in order to maintain or adjust its capital structure. Capital increases were performed in 2010. We refer to the notes under E.8.

## **7) Subsequent event**

### **a) Listing on the stock exchange Frankfurt, Germany**

Since 3 February 2011 the parent company, Dragon Holdings AG, has been listed on the stock exchange Frankfurt, Germany.

### **b) Capital Increase**

On the basis of the shareholders' resolution dated 5 November 2010 the share capital has been subsequently increased to € 8,888,888.



# NOTES



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