

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Dragon Group International Limited (the "**Company**") and its subsidiaries (collectively, "the **Group**") are committed to maintaining a high standard and to comply with the Singapore Code of Corporate Governance 2012 ("**CCG**" or "the **Code**"). The Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, we have provided the rationale, where appropriate. The Board of Directors (the "**Board**") of the Company believes that good corporate governance is essential to the stability and sustainability of the Group's performance, and hence maximisation of long-term shareholder value.

This Report describes the corporate governance practices of the Group that were in place throughout the financial year ended 31 December 2015 ("**FY2015**") with specific references to the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Company has an effective board that is able to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with the management of the Company ("**Management**") to achieve this and Management remains accountable to the Board.

The principal functions of the Board are:

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

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

- Strategies and objectives of the Group;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment and divestments;
- Commitments to terms loans and lines of credits from banks and financial institutions;

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- Interested person transactions (including, inter alia, conflict of interest issues relating to substantial shareholders of the Company and/or Directors);
- Approval of corporate strategies;
- Corporate or financial restructuring;
- Authorisation or approval of merger and acquisition transactions.

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

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

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

Regular meetings of the Board and of the other committees are convened, and the number of meetings and attendance by the respective Members are set out in the table on page 4 of this report.

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

Whenever a new Director is appointed on the Board, the Company will provide a formal letter to such new Director, setting out, amongst other things, his duties and obligations and will also ensure that the new Director receives a thorough orientation programme to update him with all information necessary or desirable for him to understand the Company’s businesses and governance practices. Depending on the need, new Directors may be put through house sessions to acquaint them on Directors’ duties and compliance with the relevant bodies of law in the performance of their duties. On an on-going basis, the Company will provide further information and updates on the Group and its business to the Board members, including any changes in legislation or regulations that may impact the Company’s conduct of its business or affect the Directors in discharging their duties to the Company. Additional training will be provided and funded, as and when necessary, to the Directors. The NC reviews and makes recommendations on the training and professional development programs to the Board.

Principle 2: Board Composition and Guidance

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

The Board examines its size and composition of the Board and board committees on an annual basis. It takes great pride in the composition of its Board of Directors, which as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Group, as well as core competencies including that of accounting, finance, business development, management, relevant industry knowledge, strategic planning and customer-based experience and knowledge. The Board is therefore well placed to lead, providing entrepreneurial and strategic leadership, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

The Independent Directors are encouraged to constructively challenge and help to develop business proposals tabled by Management. They have also monitored and reviewed the reporting of the performance of Management in meeting agreed goals and objectives. To facilitate a more effective check on Management, the Independent Directors meet regularly without the presence of Management and the other Directors.

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

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Principle 3: Executive Chairman and Chief Executive Officer (“CEO”)

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

The Executive Chairman and CEO provides input on broad strategic directions for the Company and manages the daily running of the business. He leads the Board to ensure its effectiveness on all aspects of its role and sets its agenda. He also bears the responsibilities of ensuring an accurate, timely and clear flow of information to the Directors, ensuring effective communication with shareholders, encouraging constructive relations between the Board and Management, facilitating effective contribution of the Independent Directors and promoting high standards of corporate governance.

All major decisions made by the Executive Chairman and CEO are reviewed by the Board and AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration is reviewed periodically by the RC. Both the NC and RC comprise of Independent Directors. As such, the Board is of the opinion that there are adequate safeguards in place against concentration of power and authority in a single individual.

The Board has appointed a Lead Independent Director, Mr Mohd. Sopiyan B. Mohd. Rashdi, in accordance with recommendations under the Code, to provide a channel for shareholders to raise any issue of concern for which communication through the Executive Chairman and CEO, or the Vice President, Finance may not be appropriate in some circumstances.

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

Principle 4: Board Membership

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

Board and Committee Membership

The Directors and Board Committee members at the date of this annual report are:

Directors	Board Membership	Committee Membership		
		Audit	Remuneration	Nominating
Dato’ Michael Loh Soon Gnee	Executive	N.A.	N.A.	N.A.
Mr Timothy Lim Boon Liat	Executive	N.A.	N.A.	N.A.
Dr Kenneth Yu Keung Yum	Independent	Member	Member	Chairman
Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent	Chairman	Member	Member
Dato’ Shaarani B. Ibrahim	Independent	Member	Chairman	Member

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

Attendance at Board and Committee Meetings

The Board meets at least 4 times each year and as and when warranted by particular circumstances, as deemed appropriate by the Board. As a general rule, materials for Board meetings are sent to the Directors in advance in order for the Directors to be adequately prepared for the meetings.

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The frequency of the meetings of the Board and its various Committees and the attendance by the Directors for FY2015 are set out below:

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

* By Invitation

Board Appointments

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

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

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

Process for Selection and Appointment of New Directors

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

Retirement and Re-election of Directors

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

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

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

The shareholding of each Director is set out in the Directors' Report under the Section "Directors' interests in shares and debentures" on page 1 of the Directors' Report in Appendix 2 of this annual report.

The dates of initial appointments and last re-election of the persons who are Directors as at the date of this annual report are set out below:

Directors	Designation	Date of Appointment	Date of Last Re-election
Dato' Michael Loh Soon Gnee	Executive Chairman & CEO	23 October 2003	30 April 2015
Mr Timothy Lim Boon Liat	Executive Director	12 August 2009	29 April 2014
Dr Kenneth Yu Keung Yum	Independent Director	1 March 2010	30 April 2015
Mr Mohd. Sopiyan B. Mohd. Rashdi	Lead Independent Director	16 February 2011	29 April 2014
Dato' Shaarani B. Ibrahim	Independent Director	8 September 2010	26 April 2013

Having considered the effectiveness and contributions of each Director, the NC nominates and recommends the following Directors to be re-elected at the forthcoming AGM of the Company:

Mr. Timothy Lim Boon Liat Executive Director
Dato' Shaarani B. Ibrahim Independent Director

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his performance or re-nomination as Director.

Confirmation of Independence of Directors

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

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

In its annual review for FY2015, the NC and the Board, having considered the guidelines set out in the Code, have confirmed the status of the following Directors:

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

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Directors' Time Commitment and Multiple Directorships

Although some of the Directors have multiple Board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company.

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

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

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. For FY2015, the directorships for each Director did not exceed the Company's guideline for maximum listed company board representations and the Board is of the view that the Directors have discharged their duties adequately.

Principle 5: Board Performance

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

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

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

Principle 6: Access to Information

The Board oversees the management of the business affairs and operations of the Group and establishes from time to time, strategies and financial initiatives implemented by Management. In order to fulfil their responsibilities, Board members were provided with complete, adequate and timely information prior to board meetings and on an on-going basis. Such information includes background or explanatory information relating to matters brought before the Board. They are also given detailed management information including specific divisional performance, variance analysis, budgets, forecasts, funding position and business updates of the Company prior to each Board meeting. The Board also duly monitors Management's performance and has separate and independent access to Management.

To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

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

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

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

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Counsel, under the direction of the Executive Chairman and CEO, also ensure good information flows within the Board and its Committees and between senior management and non-executive Directors. The Company Secretary and/or General Counsel attend all Board and AC meetings. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

In carrying out their obligations as Directors of the Company, access to independent professional advice is, if necessary, available to all Directors, either individually or as a group, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Remuneration Committee

The Board has set up an RC comprising three non-executive Independent Directors, namely Dato' Shaarani B. Ibrahim (RC Chairman), Mr Mohd. Sopiyan B. Mohd. Rashdi and Dr Kenneth Yu Keung Yum. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director is involved in deciding his own remuneration.

The RC's principal responsibilities are to:

- recommend to the Board base salary levels, benefits and incentive programs, and also to identify components of salary which can best be used to attract management staff in achieving corporate objectives;
- approve the structure of the compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
- review, on an annual basis, the specific compensation packages of the Company's Directors, CEO and senior management personnel and determine the appropriate adjustments; and
- review and submit to the Board proposals for the setting-up of share option schemes or long term incentive schemes.

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

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

There are appropriate and meaningful measures in place for the purpose of assessing the performance of Executive Directors and senior management personnel.

The RC has access to appropriate expert advice in the field of executive remuneration outside the Company if required. The RC will ensure that the consultant does not have any connection with the Group or any of its Directors which could affect his independence and objectivity. No remuneration consultants were engaged by the Company during FY2015.

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Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performances.

In this regard, the RC:

- takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors;
- considers whether the Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against other types of long-term incentive schemes);
- reviews the terms, conditions and remuneration of Executive Directors, and ensures that their total remuneration package has a significant portion of performance-related elements.

The Independent Directors have no service contracts with the Company and their terms are specified in the Company's Constitution. Independent Directors are paid a basic fee and an additional fee for serving on any of the committees. The fee takes into account factors such as effort and time spent, and responsibilities undertaken and their contributions to the Board. The fees paid to the Company's Non-Executive Directors are also benchmarked against Independent Directors' fees paid by companies in the same industry and with similar scale of operation. The RC is of the view that the Company's Independent Directors are not over-compensated to the extent that their independence may be compromised. Such fees are subject to the approval of the shareholders at the AGM.

The Executive Directors do not have fixed-term service contracts with the Company. Notice periods in any service contracts of the Company are typically set at a period of six months or less. There are currently no incentive components in the service contracts with Executive Directors and key management personnel.

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

The RC has established a suitable remuneration framework to incentivise, compensate and reward the key management and executives. The remuneration policy for staff adopted by the Company, where appropriate, comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is determined at the discretion of the Company, taking into consideration the performances of the Group businesses and respective employees.

The RC and the Board have collectively endorsed the Company's remuneration policy.

The Company currently does not operate any share-based incentive schemes for employees.

Principle 9: Disclosure on Remuneration

Remuneration of Directors for the year ended 31 December 2015

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

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

Remuneration Band	2015
Below S\$250,000	1

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

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$150,000 during the financial year ended 31 December 2015.

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is responsible for presenting to shareholders a balanced and clear assessment of the Group's performance, position and prospects. Such responsibility extends to interim and other price sensitive public reports, and reports to regulators. The Board has embraced openness and transparency in the conduct of the Company's affairs whilst preserving the interests of the Group.

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

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

Financial reports and other price sensitive information, all news releases and analyst presentations are disseminated to shareholders through SGXNet and posted on the Company's website at www.dragongp.com.

The Annual Report is disseminated to all shareholders and is available on the Company's website.

Principle 11: Risk Management and Internal Controls

The Board, with the assistance from the AC, is responsible for determining the level of risk tolerance of the Company and the governance of risk by ensuring that the Company has put in place adequate risk management and internal controls systems to manage its significant business risks, so as to safeguard shareholders' investments and the Company's assets.

A crucial function served by the AC is overseeing the Group's risk management framework and policies, as well as the regulation of risks undertaken or faced by the Group. The AC may examine whichever aspects it deems appropriate of the Group's financial affairs, audits and its exposure to risks of a regulatory or legal nature.

The AC keeps under review the efficacy of the Group's system of accounting and internal financial controls. The AC also kept under constant review the Company's system of ensuring compliance with legal, operational and regulatory matters, including risk management, amongst others.

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

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

The Board has received assurance from the Executive Chairman and CEO, and the Vice President, Finance of the Company that:

- The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2015 give a true and fair view of the Group's operations and finances; and
- The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The AC, with the assistance of the internal auditors and external auditors, have reviewed, and the Board of Directors is satisfied with the adequacy of Dragon Group's material internal controls, including financial, operational and compliance controls, and risk management systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and the review performed by Management and the AC, the Board, with the concurrence of the AC, is satisfied that the Group's framework of internal controls, including financial, operational & compliance and information technology controls, and risk management systems is adequate to provide reasonable assurance of the integrity and effectiveness of the Group in safeguarding its assets and shareholders' value. Nevertheless, the AC and the Board recognise that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

Risk Management and Interested Person Transactions

An assessment of the significant risk areas relevant to the Company's businesses, operations and compliance requirements have been carried out and are identified as follows:

Dependence on Key Personnel

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

These key personnel are expected to be the vital contributors for the Group's success in order to adhere to its moving forward strategy. Whilst competitive remuneration packages are offered to retain and motivate these key personnel, the Group's operations and performance may be disrupted if there is any loss of employment services with them.

Foreign Exchange Risk

The Group is exposed to various common financial risks arising in the normal course of business. A significant portion of the Group's revenue is denominated in the United States dollar. Operating expenses and wages are made mainly in local currency. Hence, exchange rate movements in the United States dollar (the Company's reporting currency) and the Singapore dollar, amongst others, expose the Company to foreign currency risk.

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Principle 12: Audit Committee

Audit Committee

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

The members of the AC have experience in managerial positions across banking, audit and finance industries. (See Directors' profile on pages 5 and 6 of the annual report). The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the AC's functions.

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

The AC has the explicit power to conduct or authorise investigations into any matters within its terms of reference and has full access to and co-operation by Management. It has full discretion and the prerogative to invite any Director or executive officer to attend its meetings. All resources that would enable the AC to discharge its duties effectively and expeditiously are made available to the AC.

The AC performs the following functions in accordance with the terms of reference which include the following:

- reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
- reviews with the internal auditors at least annually, checks on the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational compliance and information technology controls and risk management;
- reviews the internal audit function to ensure that it is adequately resourced and has appropriate standing within the Group;
- reviews significant financial reporting issues and judgements to ensure the integrity of financial statements of the Group and that of any formal announcements made quarterly or annually relating to the Company's financial performance, including announcements to shareholders and the SGX-ST prior to the submission to the Board;
- reviews any significant findings of internal investigations;
- makes recommendations to the Board on the appointment of external auditors, the audit fee, terms of engagement and any questions on their resignation or dismissal;
- reviews and approves the appointment, replacement, re-assignment or the dismissal of the internal auditor;
- reviews the assistance given by the Company's officers to the external auditors and internal auditors;
- reviews and monitors interested person transactions, if any, arising and to ensure that that the SGX-ST Listing Manual internal control procedures approved by shareholders are adhered to in relation to such transactions;
- reports actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate;
- conducts an annual review of the independence and objectivity of the Company's external auditors, including the volume of non-audit services supplied by the external auditors, to satisfy itself that the nature and extent of such services have not prejudiced the independence and objectivity of the external auditors before confirming their re-nomination; and
- nominates external auditors.

The AC held 4 meetings during the year, attendance of which is detailed on page 4 of this annual report. The Executive Chairman and CEO, Vice President, Finance, Group Administrative Officer (Mr. Timothy Lim Boon Liat), legal counsels, internal auditors and external auditors were invited to these meetings. Other members of senior management were also invited to attend as appropriate to present reports.

The AC has met with the Company's external auditors, Ernst & Young LLP ("**E&Y**") 2 times in FY2015. Parts of the meeting were conducted without the presence of Management 2 times this year. Reports of the findings and recommendations by external auditors are done independently to ensure an effective environment of control and regulation within the Group.

CORPORATE GOVERNANCE REPORT

The principal activities of the AC during FY2015 are summarised below:

Financial reporting

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

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

External audit processes

The AC manages the relationship with the Group's external auditors, E&Y, on behalf of the Board. There were no non-audit services provided by E&Y during FY2015. During FY2015, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that E&Y be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of E&Y.

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

Pursuant to the requirement in the SGX-ST Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current audit partner from E&Y for the Company took over from the previous audit partner from FY2015. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Internal controls

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

The AC considered and reviewed with Management and the internal auditors the following:

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

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

Each member of the AC abstains from voting on any resolution and making any recommendations and/or participating in any deliberations in respect of matters in which he is interested in.

E&Y carried out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls focusing primarily on financial controls, to the extent set out in their audit plan. Any material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address the same were reported to the AC. Management, with the assistance of the internal auditor, follows up on E&Y's recommendations as part of its role in the review of the Company's internal control systems. The Board is satisfied that the Company's internal controls are at present adequate.

Whistle-blowing policy

The Company has implemented a whistle blowing policy since May 2008 that is needed to provide well-defined and accessible channels through which any employee may raise any concerns they may have about improper conduct or malpractices within the Group. Any concerns may be raised, either anonymously or otherwise, directly to any member of the AC and the identity of the person raising the concern is strictly protected to the extent practicable in law. All members of the AC have direct oversight in the administering of the policy with the assistance of the Group Administrative Officer. The AC has reviewed and is satisfied with the adequacy of the whistle blowing policy.

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

CORPORATE GOVERNANCE REPORT

Principle 13: Internal Audit

The internal audit function was outsourced to Baker Tilly Consultancy (Singapore) Pte Ltd (the “**Internal Auditor**”) since FY2004. The methodology adopted by the Internal Auditor is in conformity to the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditor (the “**IA**”) is independent of the activities it audits.

The AC approves the engagement, termination, evaluation and fees of the Internal Auditors. The IA, who reports directly on internal audit matters to the Chairman of the AC, has unfettered access to all the Group’s documents, records, properties and personnel, including access to the AC. The IA assists the AC in monitoring and assessing the effectiveness of the Group’s material internal controls. The IA also assists Management in identifying operational and business risks and provides recommendations to address those risks. The AC has met with the IA without the presence of Management.

The IA meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC ensures that the internal audit function is adequately resourced and has the capabilities to adequately perform its functions. In this regard, the AC reviews on a quarterly basis the effectiveness of the IA by examining the scope of the IA’s work, quality of its reports, reporting structure within the Group, qualifications and training, relationship with the external auditor, and its independence of the areas reviewed. The AC is of the view that the IA is adequately resourced and has appropriate standing within the Group.

SHAREHOLDERS’ RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company is mindful of the obligation to provide regular, effective and fair communication with shareholders and ensures that all the Company’s shareholders are treated equitably and the rights of all shareholders are protected. The Company conducts dialogue sessions with investors, securities analysts, fund managers and the press as and when necessary.

On a regular and timely basis, the Company disseminates material information simultaneously through news and press releases *via* SGXNet and electronic mail to securities analysts, shareholders, and the media. The Company also posts these press releases on its public website, <http://www.dragongp.com> to ensure that all shareholders and the public gain fair and sufficient access to information, changes, updates and the archives of the Company or its businesses which would be likely to materially affect the price or value of the company’s shares. The website also provides a channel for shareholders to raise any concerns or issues, if any.

Information is always communicated to shareholders on a timely and fair basis. Where inadvertent disclosure has been made to a selected group, the Company ensures that the same disclosure is made publicly to all others as soon as practicable.

Shareholders are informed of shareholders’ meetings through timely and formal notices published in the newspapers. All relevant reports and/or circulars are sent to all shareholders early so that they can familiarise themselves with the issues that will be raised at general meetings. Shareholders are also given opportunities to raise questions, and to communicate their views on issues which affect the Company, at general meetings and to vote in absentia. Every shareholder is entitled to appoint not more than two proxies to attend general meetings and vote in his/her stead, provided the member name is certified by the Depository (Nominee Company) to the Company as appearing on the Depository Register not later than 72 hours before the general meeting as a Depositor on whose behalf the Depository holds shares in the Company.

The Company’s external auditors, chairpersons of the AC, the NC and the RC are present at all General Meetings to assist the Board of Directors and Management to address any questions shareholders may have.

At general meetings, each substantially separate issue is dealt with in separate resolutions. The Company avoids bundling of resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

All minutes of general meetings and a summary of the questions and answers raised at general meetings are available to shareholders upon their requests.

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

CORPORATE GOVERNANCE REPORT

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in the Company's Securities

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

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

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

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

Material Contracts

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

Interested Person Transactions

The risks associated with an interested person transaction relates not only to compliance issues but also the prevention of transactions being carried out on terms that are less than favourable and not at arm's length.

Except as provided below, there are no interested person transactions between an interested person and the Company, its subsidiaries or associated companies for FY2015:

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

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

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

