



DRAGON GROUP INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199306761C)

RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the "**Board**") of Dragon Group International Limited (the "**Company**") and together with its subsidiaries, collectively the "**Group**") refers to the Company's announcement of the half yearly results dated 14 August 2018 (the "**Announcement**").

Unless otherwise defined herein, capitalised terms used herein shall bear the same meaning ascribed to them in the Announcements.

The Company sets out below its responses to queries from the SGX-ST.

SGX Queries:

- 1. Please explain the 48% increase in Research and Development costs ("R&D expenses") for the first half of FY2018 as compared to the first half of FY2017, and to disclose how much more is expected to be incurred in R&D expenses before Eocell is able to commercialise its technology?**

Company's Response:

The proposed acquisition by Zhuhai Yinglong Energy Co., Ltd (YLE) lead to the increase in R&D cost for the first half year of 2018. It was agreed between DGI and YLE that EoCell should increase its R&D activities since November 2017 while working towards the completion of the proposed acquisition. On 9 April 2018, YLE failed to subscribe as planned.

YLE represented to DGI that their new management required proof of concept ("POC") before they proceed with the proposed acquisition. YLE funded US\$500K towards the POC and this was recorded in Other operating income. The result of the POC was encouraging and YLE has agreed to enter into a new discussion for possible investment into Eocell Limited. The discussion with YLE is on-going.

BY ORDER OF THE BOARD

Dato' Michael Loh Soon Gnee
Chairman & CEO
27 August 2018