



DRAGON GROUP INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199306761C)

PROPOSED INVESTMENT BY WAY OF SUBSCRIPTION BY ZHUHAI YINLONG ENERGY CO., LTD FOR 940,000 SHARES REPRESENTING 40% OF ENLARGED SHARE CAPITAL OF EOCELL LIMITED FOR US\$20 MILLION.

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Dragon Group International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that EoCell Limited, a principal subsidiary of the Company (“**EoCell**”) has on 10 August 2017 entered into a share subscription agreement with Zhuhai Yinlong Energy Co., Ltd (“**YLE**”) (the “**YLE Share Subscription Agreement**”) and a share subscription agreement with Sputnik Energy Limited (“**Sputnik**”) (the “**Sputnik Share Subscription Agreement**”).

YLE Investment

- 1.2 Pursuant to the YLE Share Subscription Agreement, the Investor has agreed to subscribe for 940,000 new ordinary shares in EoCell (each ordinary share issued shall hereinafter be referred to as an “**EoCell Share**”), representing approximately 40% of the total enlarged share capital of EoCell (the “**Enlarged EoCell Share Capital**”) (the “**YLE Subscription Shares**”), after the Share Sub-division Exercise (defined below), at an aggregate consideration of US\$20 million, on the terms, and subject to the conditions under the YLE Share Subscription Agreement (the “**YLE Investment**”).

Sputnik Investment

- 1.3 Sputnik Energy Ltd (“**Sputnik**”) is one of the founding partners of Eocell and is acknowledged by all parties to represent key management of the Company. It is a pre-requisite of the YLE Investment that Sputnik, being a founding partner and representing management, shall hold up to 20% of the Enlarged Eocell Share Capital. Accordingly, concurrent with the YLE Investment, Sputnik will, after the Share Sub-division Exercise (defined below), subscribe for 399,970 EoCell Shares representing approximately 17.02% of the Enlarged EoCell Share Capital at an aggregate consideration of US\$1.00 (“**Sputnik Subscription Shares**”) on the terms, and subject to the conditions under the Sputnik Subscription Agreement (the “**Management Investment**” or “**Sputnik Share Subscription**”). It is intended that upon completion under the Sputnik Subscription Agreement, Sputnik will have ownership of the Sputnik Subscription Shares and have full discretion to transfer such number of the Sputnik Subscription Shares it has subscribed to such deserving key management employee (“**KME**”) on such terms as it deems fit.

2. SHAREHOLDER LOAN CONVERSION

- 2.1. The Company has in the past extended cash advances to EoCell in the form of shareholder loans amounting to approximately US\$6.62 million as at the date of this Announcement (the “**Shareholder Loan**”), which may increase from time to time until completion of the YLE Investment (the completion of the Sputnik Share Subscription and the YLE Investment shall collectively be referred to as “**Completion**”). Along with the YLE Investment, the Company has agreed to convert US\$5 million of the Shareholder Loan for the issuance of one EoCell Share to the Company (the “**Shareholder Loan Conversion**”). The balance of the Shareholder Loan will be repaid by EoCell to the Company upon Completion.

- 2.2. As at the date of this Announcement, the share capital of EoCell comprises 100 ordinary shares (the “**Existing EoCell Share Capital**”), of which 93% is held by the Company and 7% by Sputnik.
- 2.3. Immediately after the Shareholder Loan Conversion, EoCell intends to undertake an exercise to subdivide one EoCell Share into 10,000 EoCell Shares (“**Share Sub-division Exercise**”).
- 2.4. Upon Completion (i.e. after the Shareholder Loan Conversion and the Share Sub-division Exercise), the shareholding structure of EoCell will be as follows:

S/N	Shareholder	No.of Shares held	Percentage Shareholding in the Company
1.	Dragon Group International Limited	940,000	40.00%
2.	Sputnik Energy Ltd	70,000	2.98%
		399,970 (for allocation to KME)	17.02%
3.	YLE	940,000	40.00%
	Total	2,349,970	100%

- 2.5. Pursuant to the Shareholder Loan Conversion, the YLE Investment and Management Investment (together referred to as the “**Proposed Transactions**”) and taking into account the Share Sub-division Exercise, the Company’s shareholding interest in EoCell will be diluted from 93% to 40% based on the EoCell Enlarged Share Capital; a percentage dilution of more than 20%. Pursuant to Rule 805(2)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Manual**”), an issuer is required to seek shareholders’ approval if a principal subsidiary of the issuer issues shares that will result in a percentage reduction of 20% or more of the issuer’s equity interest in the principal subsidiary. Accordingly, the Company will be convening an extraordinary general meeting to seek shareholders’ approval for the Proposed Transactions. The circular containing details of the Proposed Transactions will be despatched to shareholders in due course.
- 2.6. EoCell will remain a principal subsidiary of the Company after Completion. The Company will retain management control over EoCell as the management installed by the Company prior to the YLE Investment will continue to manage EoCell after Completion. Dato’ Michael Loh Soon Gnee, the Chief Executive Officer of EoCell will, after Completion, be the Executive Chairman of EoCell, and Mr Michael Duchul, Pak, previously the Chief Operations Officer of EoCell will become the Chief Executive Officer of EoCell.

3. CONSIDERATION

- 3.1. The YLE Subscription Shares will be offered to and subscribed by YLE at approximately US\$21.28 per YLE Subscription Share which corresponds to a total consideration for the YLE Subscription Shares of US\$20 million. This subscription price was proposed by YLE at arm’s length and agreed to by EoCell (under the direction of the Company), after taking into consideration the prospects of EoCell and the valuable intellectual property developed by EoCell.
- 3.2. The total consideration to be paid by Sputnik for the Sputnik Subscription Shares is US\$1.
- 3.3. The price for the Sputnik Subscription Shares has been heavily discounted to Sputnik, one of the founding partners and representing management, to acquire an aggregate stake of 20% so as to align their interest with that of EoCell as commercially required by YLE for their investment in EoCell.

4. INFORMATION ON EOCELL and YLE

4.1. EoCell

EoCell was incorporated on 30 April 2015 in the Hong Kong Special Administrative Region of the People's Republic of China by the Company and its joint venture partner, Sputnik as an investment vehicle to explore opportunities in the lithium ion batteries and energy storage market. It is primarily engaged in the business of designing, developing and selling of next generation lithium ion batteries as well as materials relating to such batteries (or other similar storage devices for may be used on cellphones, portable electronics, off grid energy storage, including in particular electric vehicles and all applications and markets that require batteries and to licence such technologies to third parties where it is advantageous to do so).

4.2. YLE

YLE is a company incorporated in the People's Republic of China. YLE is primarily engaged principally in the manufacture and supply of electric buses. They manufacture the lithium titanium oxide batteries used on their electric buses. YLE is also engaged in energy storage products.

5. RATIONALE FOR THE YLE INVESTMENT

The strategic partnership with YLE will provide EoCell with expanded financial resources and widened market access to further develop its business. This partnership provides Eocell ample opportunity for actual adoption of its battery technology by YLE and increases the possibility of EoCell to license its battery technology for use in YLE electric buses and energy storage business. With the investment, EoCell is also better positioned to collaborate or explore other licensing arrangement with other interested parties who may wish to enter the green energy & electric vehicle segment. Further, the YLE partnership will pave the way for both EoCell, the Company and YLE to jointly form strategic alliances or collaborate with other companies in complementary businesses for mutual benefit.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Dato' Michael Loh Soon Gnee, who is the Chief Executive Officer and a director of EoCell, is also a Director of the Company. As such, he has abstained from deliberations of the Board in respect of the Proposed Transactions.

Save as disclosed in this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Transactions.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Transactions and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors have been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

BY ORDER OF THE BOARD

DATO' MICHAEL LOH SOON GNEE
Executive Chairman & CEO
10 August 2017