



DRAGON GROUP INTERNATIONAL LIMITED

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

ANNOUNCEMENT

THE PROPOSED ACQUISITION OF ISSUED AND PAID UP ORDINARY SHARES IN THE SHARE CAPITAL OF HEAT TECH JAPAN CO., LTD.

1. INTRODUCTION

- 1.1 The board of directors (the "**Board**") of Dragon Group International Limited (the "**Company**" and together with its subsidiaries, collectively the "**Group**") refers to the announcement made by the Company on 5 January 2015 (the "**Announcement**") in relation to the Proposed Acquisition. Capitalised terms not defined herein shall bear the same meaning ascribed to them in the Announcement.
- 1.2 Further to the Announcement, the Board wishes to announce that the Company had on 17 October 2015 entered into a deed of amendment and restatement (the "**Deed**") between, *inter alia*, Green Power Ventures Limited (the "**Vendor**") and Heat Tech Japan Co., Ltd. (as the target company) ("**HTJ**"), to adopt an amended and restated sale and purchase agreement which contains certain amendments to the terms in the SPA. The SPA, as amended and restated by the Deed, shall be defined as the "**Amended SPA**".
- 1.3 The Company entered into the Amended SPA because the relevant parties have renegotiated certain terms of the SPA. The Amended SPA takes into account the amended terms which have been agreed between the relevant parties.

2. SALIENT AMENDMENTS TO THE SPA

- 2.1 The salient amendments made to the SPA via the Deed are set out in this paragraph.
- 2.2 Structure of the Proposed Acquisition
- (a) The structure of the Proposed Acquisition has been amended such that it will be effected via the purchase of 71,694 issued and paid up ordinary shares in the share capital of HTJ (the "**Sale Shares**"), representing approximately 19% of HTJ's total issued and paid up share capital. The consideration for the Sale Shares is a sum of S\$1,900,000, of which S\$950,000 shall be paid in cash on the completion date and another 11,875,000 Company shares (the "**Consideration Shares**") shall be issued at S\$0.08 per Consideration Share as soon as possible on or after the completion date. The Consideration Shares shall be subject to a security to be given by the Vendor to the Company, as described in paragraph 2.3(c) below.
- (b) Accordingly, the number of HTJ Option Shares in relation to the option granted to the Company has been amended to 179,876 HTJ Shares, representing approximately 47.67% of the total issued and paid up share capital of HTJ.
- (c) As each of the relative figures computed under Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Listing Manual. Therefore, the Proposed Acquisition will not be subject to approval of the Shareholders. Please see paragraph 3.2 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual.

2.3 Profit Guarantee

- (a) Pursuant to the terms of the Amended SPA, the Vendor has agreed to give a profit guarantee (the "**Profit Guarantee**"). The Vendor shall guarantee that the audited net profit before tax of HTJ recorded for the calendar year ending 31 December 2016 (the "**2016 Profit**") shall be not less than US\$500,000 (the "**Guaranteed Profit**").
- (b) If the 2016 Profit is less than the Guaranteed Profit, the Vendor agrees that it shall be responsible for paying to the Company a sum equal to the highest of (i) US\$500,000, (ii) the excess of the Guaranteed Profit over the 2016 Profit (for the avoidance of doubt, the 2016 Profit shall be a negative figure if a loss is recorded), or (iii) such other sum as may be mutually agreed between the parties.
- (c) The Vendor shall also charge all the Consideration Shares in favour of the Company by way of a first fixed charge, as a continuing security for the fulfillment of the payment obligation described in paragraph 2.3(b) above (the "**Security**"). In the event that the 2016 Profit is equal to or more than the Guaranteed Profit, the Company shall release and discharge the Security. For the avoidance of doubt, there shall be no additional consideration paid or payable to the Vendor in the event that the Company achieves more than the Guaranteed Profit.

3. REVISED FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

3.1 Revised Illustrative Effects of the Proposed Acquisition on the Net Tangible Asset and Loss per Share of the Group

As a result of the amendments to the structure of the Proposed Acquisition and the consideration payable for the Sale Shares, the revised financial effects of the Proposed Acquisition on the Group are set out below. For illustrative purposes only, the revised pro forma financial effects of the Proposed Acquisition on the net tangible asset (the "**NTA**") per share of the Group ("**Share**") and the loss per Share ("**LPS**") based on the latest audited consolidated financial statements of the Group for the year ended 31 December 2014 ("**FY2014**") are as follows:-

(a) Effect on NTA per Share

For illustrative purposes only, had the Proposed Acquisition taken place on 31 December 2014 and based on the latest audited consolidated financial statements of the Group as at 31 December 2014, the Proposed Acquisition would have had the following impact on the Group's NTA as at 31 December 2014:-

FY2014	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ (US\$'000)	25,404	26,091
Number of issued shares ('000)	320,167	332,042
NTA per share (US\$ cents)	7.93	7.86

Note:-

- (1) NTA is computed based on total assets less total liabilities less intangible assets.

(b) Effect on LPS

For illustrative purposes only, had the Proposed Acquisition taken place on 1 January 2014 and based on the latest audited consolidated financial statements of the Group for FY2014, the Proposed Acquisition would have had the following impact on the Group's LPS for FY2014:-

FY2014	Before the Proposed Acquisition	After the Proposed Acquisition
Losses attributable to equity holders of the Company (US\$'000)	2,384	2,462
Weighted average number of issued shares ('000)	320,167	332,042
LPS (US\$ cents)	0.74	0.74

3.2 Revised Relative Figures Computed⁽¹⁾ on the Bases Set Out in Rule 1006 of the Listing Manual

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable to acquisition of assets
Rule 1006(b)	Net losses attributable to the assets acquired or disposed of, compared with the group's net losses	5.0%
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation ⁽²⁾ based on the total number of issued shares excluding treasury shares	9.8%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	3.4%
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:-

(1) The figures computed here are based on the results for the financial period ended 30 June 2015 which was announced on 13 August 2015.

(2) Using the weighted average market price on 16 October 2015, being the market day immediately preceding the date of the Agreement, the Group's market capitalization calculated based on the total number of issued shares excluding treasury shares is approximately US\$14.0 million.

As each of the relative figures calculated under Rule 1006 of the Listing Manual is more than 5% but does not exceed 20%, the Proposed Acquisition is considered a discloseable transaction under Chapter 10 of the Listing Manual, and is therefore not subject to Shareholders' approval.

4. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than through their shareholdings in the Company).

5. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Deed and the Amended SPA will be made available for inspection during normal business hours at the Company's registered office at 25 Kallang Avenue, #06-01 Kallang Basin Industrial Estate, Singapore 339416 for a period of three (3) months commencing from the date of this announcement.

Shareholders and potential investors should note that the Proposed Acquisition is subject to, *inter alia*, conditions precedent being fulfilled and there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. Accordingly, shareholders and potential investors should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Dato' Michael Loh Soon Gnee
Executive Chairman & Group CEO

17 October 2015