



DRAGON GROUP INTERNATIONAL LIMITED
(Company Registration No. 199306761C)
(Incorporated in the Republic of Singapore)
(the "**Company**")

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

Introduction

Dragon Group International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") was placed on the watch-list pursuant to Rule 1311 of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 4 March 2015.

Pursuant to Rule 1313(2) of the Listing Manual, the Board of Directors of the Company (the "Board") wishes to provide an update on the financial situation of the Company and the Group for the financial period ended 31 December 2015 ("FY2015").

Update on Unaudited Financial Performance and Financial Position

The Group recorded an increase in revenue of approximately 36% or US\$0.6 million compared to the previous year ("FY2014"), mainly due to increase in sales for the distribution business. The gross profit margin has decreased from 29.3% to 10% due to changes in sales mix.

Loss for the period increased by US\$11.8 million from US\$2.5 million in FY2014 to US\$14.3 million in FY2015 due to overall increase in operating expenses. This was mainly due to payroll related costs. In addition, there is a provision for the aged inventories for the Dragon Treasure Boat project during the year as well as increased in research and development costs.

The Group's net assets has decreased US\$12.6 million from US\$25.5 million as at 31 December 2014 to US\$12.9 million as at 31 December 2015.

Cash and cash equivalents decreased US\$3.5 million from US\$13.9 million as at 31 December 2014 to US\$10.4 million as at 31 December 2015.

The Group used US\$4.1 million for its operating activities and US\$1.3 million for increase of property, plant and equipment and US\$0.5 million was invested on development project. The Group incurred US\$1.2 million for considerations paid for acquisition of available for sales investments.

A net amount of US\$1.8 million was received from a share placement exercise. In addition, the Group also received US\$1.8 million for the final payment of the proceeds from the sale of discontinued operations which took place in May 2013.

Please refer to our result announcement for the financial period ended 31 December 2015 released on 26 February 2016 for full details.

Update on Future Direction and Other Material Development

During the year, the Group established a new subsidiary, EoCell Limited to engage in the development of battery and storage solutions. It is continuing its development activities for the battery and storage solutions.

The Company is in the process of completing the acquisition for the 19% interest in Heat Tech Japan Co., Ltd. The Company still has the option to acquire 47.67% interests in HTJ and 20% interests in 3DOM Inc. at a future date.

We are still under discussion with respective Chinese authorities regarding the Yangtze Riverbank project. We will update our shareholders at the appropriate time.

We will be spending time on the above projects while exploring other viable opportunities.

Save for the above and as previously announced, there are no other material developments that may have a significant impact on the financial position of the Group or on its future direction at the moment.

The Board will update shareholders on any material developments in due course and the Company will make further announcements as and when there are any subsequent developments.

The Company is aware of the deadline given by SGX-ST for its removal from the watch-list and has been actively looking for potential opportunities for the Group to strengthen the financial position of the Group. The Company would like to reassure shareholders of the Company that it has and will endeavour to seek an exit from the SGX-ST's watch-list according to Rule 1314 of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Dato' Michael Loh Soon Gnee
Chairman & CEO
26 February 2016