



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 598,801,700 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**”) refers to the announcements made by the Company on 10 August 2017 and 22 January 2018 (collectively, the “**Announcements**”), as well as the circular to the Company’s shareholders (“**Shareholders**”) dated 24 January 2018 (the “**Circular**”). Unless otherwise defined, all capitalized terms shall bear the same meanings as the Circular.
- 1.2 Further to the Announcements and the Circular, the Board wishes to announce that the Long Stop Date of both the YLE Subscription Agreement and the Sputnik Subscription Agreement have lapsed. As the conditions precedent under each of the YLE Subscription Agreement and the Sputnik Subscription Agreement were not fulfilled and/or waived on or before the Long Stop Date, the agreements had *ipso facto* ceased, lapsed and determined (the proposed subscription by each of YLE and Sputnik under the YLE Subscription Agreement and the Sputnik Subscription Agreement shall collectively be referred to as the “**Terminated Transaction**”).
- 1.3 Since then, the Company and EoCell have put in a lot of effort to try to cut a new deal and have since renegotiated new terms engagement. On 3rd January 2019, the Parties entered into a new share subscription agreement with YLE, on terms further described below (the “**New YLE Subscription Agreement**”) (the “**New Transaction**”).

The New Transaction

- 1.4 The terms of the New Transaction include certain new commercial terms as further described in paragraph 2 of this announcement.
- 1.5 The New Transaction comprises:
- (a) the subscription by YLE of about 999,999,930 EoCell Shares representing approximately 40% of the Enlarged EoCell Share Capital, for an aggregate consideration of US\$20 million in accordance with the New YLE Subscription Agreement (the “**YLE Subscription Shares**”); and
 - (b) the subscription by a management company to be incorporated (referred hereto as “**MC**”), of about 499,999,895 EoCell Shares representing approximately up to 20% of the Enlarged EoCell Share Capital pursuant to a subscription agreement to be entered into between MC and EoCell (the “**MC Subscription Agreement**”), for the purpose described in paragraph 2.2 below.

Sputnik Energy Ltd (“**Sputnik**”) will no longer be subscribing for EoCell Shares.

2. **NEW COMMERCIAL TERMS**

Other key new commercial terms which have been included under the New Transaction are as follows:

2.1. **DGI Indemnity** – Under the New YLE Subscription Agreement, the Company has undertaken to each of Eocell and YLE that if Sputnik initiates any claim, prosecution, legal or government proceeding, arbitration, administrative action or litigation (including obtaining an ex-parte injunction) against Eocell (collectively, the “**Sputnik Dispute**”), and provided that such Sputnik Dispute shall be based on a cause of action that has arisen on or before the date of completion under the New YLE Subscription Agreement (“**Completion**”), or in connection with the Capitalisation Transaction, Share Division Exercise, MC Share Subscription (as defined below), the Company shall use its best endeavours to resolve such Sputnik Dispute and shall indemnify Eocell for any and all losses (if any) incurred by Eocell therefrom (“the “**DGI Indemnity**”). The DGI Indemnity shall expire two years from the date of the New YLE Subscription Agreement.

2.2. **MC Share Subscription** – Immediately after the Capitalization Transaction and the Share Division Exercise but on or before Completion, a company representing the key management of Eocell (“**MC**”) will subscribe for 499,999,895 Eocell Shares representing approximately up to 20% of the Enlarged EoCell Share Capital at a nominal consideration (“**MC Subscription Shares**”) to be determined, in accordance with the MC Subscription Agreement (the “**MC Share Subscription**”). It is intended that upon completion of the MC Share Subscription, MC will have ownership of the MC Subscription Shares and after Completion, have full discretion to set up and administer an employee share unit scheme on whatever terms it deems fit or, to distribute or transfer such number of the MC Subscription Shares it has subscribed to such deserving key employees and management (“**KME**”) on such terms as it deems fit. Further details of MC are set out in paragraph 5.3 below.

2.3. **Deposit** – Under the New YLE Subscription Agreement, YLE shall pay a sum of US\$2 million, within 15 business days after execution of the New YLE Subscription Agreement as earnest monies which shall be held by Eocell in an escrow account (“**Earnest Deposit**”). The following terms apply to the Earnest Deposit:

- (a) in the event the condition precedents are satisfied but YLE fails to subscribe for the YLE Subscription Shares on the date set for Completion, the Earnest Deposit shall be forfeited by YLE;
- (b) in the event any of the Company or EoCell is in default of its respective obligations at Completion and YLE elects to terminate the New YLE Subscription Agreement, the Earnest Deposit shall be repaid by EoCell to YLE; and
- (c) in the event the condition precedents are satisfied and YLE proceeds to Completion, the Earnest Deposit paid shall be applied toward subscription of the YLE Subscription Shares at Completion.

The Earnest Deposit has been paid into an escrow account on the date of signing of the New YLE Subscription Agreement.

2.4. **Use of Proceeds** – The proceeds received by EoCell from the allotment and issuance of the YLE Subscription Shares shall be used solely for the following purposes:

- (a) firstly, the repayment by EoCell on Completion of US\$3 million of the Balance Shareholder Loan (as defined below);
- (b) secondly, the repayment on Completion of US\$750,000 to YLE, being monies funded by YLE prior to the execution of the New YLE Subscription Agreement towards R&D undertaken by the EoCell; and
- (c) thirdly, for working capital purposes.

The amounts referred to under paragraph 2.4(b) above are amounts advanced by YLE to EoCell on the basis that they shall only be repaid to YLE if Completion occurs. If, for any reason, Completion does not occur, EoCell shall not be required to repay the US\$750,000, and any knowhow and intellectual property developed shall remain the property of EoCell. Further, US\$3 million of the balance of DGI Shareholder Loan after deducting the Capitalisation Amounts (the “Balance Shareholder Loan”) will be repaid by EoCell to the Company upon Completion. Parties agree that any monies advanced either by the YLE or or the Company to EoCell after the execution of this Agreement, whether for the operations or research and development activities of EoCell or for other purposes (“Advanced Monies”) shall, along with the remainder of the Balance DGI Shareholder Loan, be recorded in the books of EoCell as respective shareholder loans and shall not to be repaid until the it generates any revenue or enters into next round of fund raising, whichever comes earlier, provided that (i) such repayment shall be resolved by the Parties in accordance with the Amended and Restated SHA and be confirmed in writing by the auditors of the Company, and (ii) the amount of the monies advanced by either Investor or DGI each month shall not exceed USD250,000.

3. CAPITALISATION TRANSACTION AND SHARE DIVISION

- 3.1. The Company has in the past extended cash advances to EoCell in the form of shareholder loans amounting to approximately US\$9.5 million as at the date of this Announcement (the “**DGI Shareholder Loan**”, which may increase from time to time until Completion.
- 3.2. Prior to Completion, the Company has agreed to convert an amount of approximately US\$5,988,017 of the DGI Shareholder Loan (the “**Capitalisation Amount**”) into 99,999,900 EoCell Shares (the “**Capitalisation Transaction**”).
- 3.3. 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.
- 3.4. Immediately after the Capitalisation Transaction and prior to Completion, EoCell intends to undertake an exercise to subdivide one EoCell Share into 10 EoCell Shares (“**Share Division Exercise**”).
- 3.5. After the Capitalisation Transaction and the Share Division Exercise, the shareholding structure of EoCell will be as follows:

S/N	Shareholder	No. of Shares held	After Share Division Exercise	Percentage Shareholding in the Company
1.	Dragon Group International Limited	99,999,993	*999,999,930	99.999993%
2.	Sputnik Energy Ltd	7	70	0.000007%
	Total	100,000,000	*1,000,000,000	100%

On Completion of the New Transaction (and taking into account the MC Share Subscription), 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	*999,999,930	40.00%
2.	Sputnik Energy Ltd	70	0.000003%
3.	MC	*499,999,895	19.999997%
4.	YLE	*999,999,930	40.00%
	Total	*2,499,999,825	100%

- 3.6. Pursuant to the Capitalisation Transaction, the YLE Subscription and MC Share Subscription (together referred to as the “**Proposed Subscriptions**”) and taking into account the Share Division Exercise, the Company’s shareholding interest in EoCell will be diluted from 93% to 40% based on the EoCell Enlarged Share Capital (similar to that contemplated under the Terminated Transaction), thereby resulting in EoCell ceasing to be a subsidiary of the Company. 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 the principal subsidiary ceasing to be a subsidiary of the issuer. Accordingly, the Company will be convening an extraordinary general meeting to seek shareholders’ approval for the Proposed Subscriptions. The circular containing further details of the Proposed Subscriptions will be despatched to shareholders in due course.
- 3.7. After Completion, Dato’ Michael Loh Soon Gnee, the executive chairman and Chief Executive Officer of the Company, shall be appointed as the Chief Executive Officer of EoCell in the first instance. The term of office of the Chief Executive Officer of the Company shall be 2 years, after which the successive Chief Executive Officer shall be appointed by the board of directors of EoCell.

4. CONSIDERATION

- 4.1. Similar to that contemplated under the Terminated Transaction, the total consideration for the YLE Subscription Shares remains at US\$20 million. This subscription price was proposed by YLE at arm’s length basis 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.
- 4.2. The total consideration proposed to be paid by MC for the MC Subscription Shares will be nominal at US\$1.00. The rationale remains the same. The price for the MC Subscription Shares has been heavily discounted to allow MC to be able to acquire an aggregate stake of 20% so as to anchor and align key management interest with that of EoCell as commercially required by YLE for their investment in EoCell.

5. INFORMATION ON EOCELL, YLE and MC

5.1. 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).

5.2. 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.

5.3. MC

MC is a company to be incorporated in Hong Kong Special Administrative Region, being incorporated for the purposes of holding the MC Subscription Shares and administering an employee share unit scheme on whatever terms MC deems fit or, to distribute or transfer such number of the MC Subscription Shares it has subscribed to KME on such terms as it deems fit.

6. RATIONALE FOR THE YLE SUBSCRIPTION

The rationale for partnership with YLE remains the same. 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 EoCell, the Company and YLE to jointly form strategic alliances or collaborate with other companies in complementary businesses for mutual benefit.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Dato' Michael Loh Soon Gnee ("**Michael Loh**"), who is the Chief Executive Officer and a director of EoCell, is also a Director of the Company. Timothy Lim Boon Liat ("**Timothy Lim**") is a director of EoCell Inc., a wholly owned subsidiary of EoCell. As such, both Michael Loh and Timothy Lim have abstained from deliberations of the Board in respect of the Proposed Subscriptions.

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 Subscriptions.

8. 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 New Transaction 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
4th January 2019