



DRAGON GROUP INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199306761C)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. The board of directors (the **“Board”**) of the Company (and, together with its subsidiaries and associated companies, the **“Group”**) wishes to announce that the independent auditor of the Company, Ernst & Young LLP (the **“Independent Auditor”**), has issued a disclaimer of opinion (**“Disclaimer of Opinion”**) on the audited financial statements of the Company and the Group (**“Financial Statements”**) for the financial year ended 31 December 2021 (**“FY2021”**) (the **“Independent Auditor’s Report”**).
2. The basis for the Disclaimer of Opinion is contained in the Independent Auditor's Report. Please refer to the copy of the Independent Auditor’s Report attached herein for further details.
3. An extract of the Note 2 to the Financial Statements pertaining to the Group’s and Company’s going concern assumption is also attached to this announcement for information in relation to the Disclaimer of Opinion.
4. Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor’s Report, the Financial Statements and the Company’s Annual Report for FY2021 in their entirety and to exercise caution when dealing in the shares of the Company.

By Order of the Board

Chong Man Sui
Acting Chairman
Dragon Group International Limited
16 August 2023

Independent Auditor's Report to the Members of Dragon Group International Limited

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Dragon Group International Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of the going concern assumption

The Group recorded net loss of US\$5,581,000 and an operating cash outflow of US\$1,481,000 for the financial year ended 31 December 2021 and as at that date, the Group is in net liabilities position of US\$976,000, and the Group's and Company's current liabilities exceeded its current assets by US\$3,063,000 and US\$633,000 respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

As disclosed in Note 2.1 to the financial statements, management has prepared the financial statements using the going concern assumption which is primarily dependent on the continued financial support from its' holding company, ASTI Holdings Limited. As a result, the ability of the Group and the Company to continue as a going concern, and to continue operations and meet their obligations in the next twelve months from the date of the financial statements is dependent on the current undertaking from ASTI Holdings Limited to provide financial support and not to recall the amounts due to itself for the next twelve months from the date of the financial statements.

However, based on the information available to us, we were unable to obtain sufficient appropriate evidence to assess the appropriateness of the going concern assumption used to prepare these financial statements due to uncertainties and factors that could significantly affect the ability of management to rely on the current undertaking by ASTI Holdings Limited to provide continuing financial support and not to recall amounts owed by the Group and Company for the next twelve months.

If the Group and Company are unable to continue in operation existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities, respectively.

Impairment assessments of the Group's and the Company's interest in EoCell Limited ("EoCell") As at 31 December 2021, the carrying value of the Group's and the Company's investment in an associate, EoCell, is US\$13,217,000 and US\$15,633,000, respectively. As the Group applies equity accounting method to account for its investment in EoCell, the Group recorded US\$2,274,000 as its share of EoCell's loss for the year in the consolidated income statement for the year ended 31 December 2021. The details are disclosed in Notes 3, 5, 9 and 17 to the financial statements.

Management has assessed that there were indicators of impairment in respect of the Group's investment in and amounts due from EoCell as at the reporting date. Management has determined the recoverable amount of the Group's and Company's investment in EoCell by estimating their fair value less costs of disposal ("FVLCD") using the market approach and the expected credit losses ("ECL") on the amounts due was estimated based on management's expectation of future recovery.

Determining the FVLCD and ECL at the reporting date requires the use of accounting estimates which involve heightened level of estimation uncertainty and complexity due to the technological, market and economic uncertainties over future developments in the fast-changing nature of the industry that EoCell operates in. Although management had sought assistance from external valuers to assist in the impairment assessment, the external valuers have not finalised their valuation reports as at the date of this report.

Pursuant to the assessments, the Group recorded share of losses of US\$2,274,000 during the year to carry the investment in EoCell at US\$13,217,000 as at 31 December 2021 and a full ECL allowance of US\$2,373,000 to write down the amounts due from EoCell to zero as at 31 December 2021. An impairment loss of US\$687,000 was also recorded against the cost of investment in EoCell in the statement of financial position of the Company.

Based on information available to us, we have not been able to obtain a reasonable basis to conclude on the appropriateness and reasonableness of the key estimates, inputs and assumptions used by management in estimating the FVLCD and ECL as at 31 December 2021. As a result, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying values of the Group's and the Company's investment in associate and the amounts due from associate as at 31 December 2021, the corresponding Group's share of results of associate, impairment loss and ECL recognised for the year then ended, and whether any adjustments to these amounts and associated disclosures were necessary.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Beng Lee, Ken.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore
15 August 2023

Extract of Note 2 to the Financial Statement for FY2021

Going concern uncertainty

The Group recorded net loss of US\$5,581,000 (2020: US\$5,204,000) and an operating cash outflow of US\$1,481,000 (2020: US\$1,240,000) for the financial year ended 31 December 2021 and as at that date, the Group's and Company's current liabilities exceeded its current assets by US\$3,063,000 (2020: US\$10,668,000) and US\$633,000 (2020: US\$8,288,000) respectively. The Group's net liabilities position is US\$976,000 (2020: net assets position of US\$4,860,000) and Company's net assets position US\$3,869,000 (2020: US\$8,088,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

In the assessment of going concern, the Board has considered the following factors:

The Company has received an undertaking letter from the current Board of the Holding Company not to recall the amounts due to itself and provide continuing financial support to enable the Group to continue operations for the next twelve months from the date the financial statements.

As at the date of the issuance of these financial statements, there is no indication that the amount due to Holding Company will be recalled.

The Company believes that the potential new Board of Directors and the potential new owners of the Holding Company would continue to provide financial support as there is still a possibility that EoCell would be able to attract investors.

Based on current circumstances, there is uncertainty as to whether the Group and the Company are able to meet their contractual obligation in the next 12 months as and when they fall due, and consequently, there is uncertainty as to their respective abilities to continue as a going concern for the next 12 months. Notwithstanding the above, the Board has assessed and is of the view that it is appropriate that the financial statements of the group and Company are to be prepared on a going concern basis.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.