

EUROSPORTS GLOBAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 201230284Z)

RESPONSES TO RELEVANT AND SUBSTANTIAL QUESTIONS

The Board of Directors (**%Board+**) of Eurosports Global Limited (the **%Company+**), and together with its subsidiaries, the **%Group+** would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by way of electronic means on Friday, 11 September 2020 at 2.00 p.m.

The Board and management had received questions from shareholders for the period from 2.00 p.m., 20 August 2020 to 2.00 p.m., 8 September 2020 (the **%Questions+**). The Board and the Company wishes to provide its responses to the Questions as follows:

Q1. The Group is the only authorised dealer for Lamborghini automobiles since 2001 and the exclusive distributor of Alfa Romeo automobiles since 2004. Besides, the Group also carry customised automobiles supplied by Touring Superleggera. When will the dealership agreement with Lamborghini, Alfa Romeo and Touring Superleggera end?

Company's response

(a) Dealership agreement with Lamborghini and Alfa Romeo

The dealership agreements remain in effect for an indefinite period unless terminated by either party. Over the years, the Group has established and maintained good relationships with them and does not foresee any circumstances that would affect the relationship negatively.

(b) Dealership agreement with Touring Superleggera

The dealership agreement with Touring Superleggera has been renewed to year 2022 and subject to renewal upon signing of new order agreement.

Q2. How badly had COVID-19 affected the sales of Lamborghini and what are the mitigating measures implemented and its effectiveness?

Company's response

The COVID-19 circuit breaker between the months of April 2020 and May 2020 resulted in the temporary closure of all our retail showrooms along with the suspension of the bidding of Certificate of Entitlement (**%COE+**). This has negatively impacted our operations and financial performance for the first quarter of FY2021. To cope with the situation, the management has undertaken various cost-control measures and continue to carry on with these measures to manage the impact from the pandemic.

Q3. For FY2020, business segment in Sustainable Mobility has no revenue and incurred S\$1.45 million loss (bigger than FY2019).

(a) **When this Sustainable Mobility is expected to at least breakeven?**

Company's response

The Sustainable Mobility business segment is like any other start-up that requires attention, creativity and gumption. We will continue to invest in the future in a bid to deliver exceptional shareholder value. Barring any unforeseen circumstances, the Group is optimistic about the brand launch, and the Company will provide the appropriate guidance and disclosures when there are material developments.

(b) What is the budgeted capital expenditure (“CAPEX”) for the next 2 – 3 years?

Company’s response

In addition to financial investment, the development of the first and subsequent high-quality electric motorcycles requires effort and rigour. As we continue to invest in the future, we work towards developing a business that will be financially self-sustaining. The Company will provide the appropriate guidance and disclosures when there are material developments.

Q4. In FY2020, the salary of Executive Chairman & CEO has increased by approximately 75.6% from S\$0.39 million in FY2019 to S\$0.69 million in FY2020. Please state the remuneration factor(s) specifically led to the increase and how much is attributable to each of these remuneration factor(s)?

Company’s response

The factors that led to the increase in the salary of Executive Chairman & CEO are:

- (a) reinstatement of salary (pay cut in prior year) since 1 April 2019, attributable to 29% of the increase; and
- (b) retrospective adjustments for the pay cut for the period from November 2016 to March 2019, attributable to 71% of the increase.

Q5. In FY2020, the salary of Executive Director & Deputy CEO has increased by approximately 79.7% from S\$0.33 million in FY2019 to S\$0.59 million in FY2020. Please state the remuneration factor(s) specifically led to the increase and how much is attributable to each of these remuneration factor(s)?

Company’s response

The factors that led to the increase in the salary of Executive Chairman & CEO are:

- (a) reinstatement of salary (pay cut in prior year) since 1 April 2019, attributable to 27% of the increase; and
- (b) retrospective adjustments for the pay cut for the period from November 2016 to March 2019, attributable to 73% of the increase.

Q6. Under “Key Audit Matters” specifically refers to “Assessing the impairment of cost of investments and net receivables due from subsidiaries”, it mentioned that for the non-performing subsidiaries or if they have significant negative equity balances, the company will have exposure to loss on cost of investments and amount due from the subsidiaries. What are these non-performing subsidiaries, especially those with negative equity balances?

Company’s response

- (a) Non-performing subsidiaries refer to EuroAutomobile Pte. Ltd. and Delacour Pte. Ltd.
- (b) Negative equity balances refer to EuroSports Technologies Pte. Ltd. (~~EST~~) which operate the Group’s Sustainable Mobility segment with net liabilities in the statement of financial position as at 31 March 2020. EST is a start-up and still under development phase, thus no revenue contribution to the Group as at financial year end.

Q7. In FY2020, the sales of automobiles were S\$76.41 million, in which the sales of new Lamborghini contributed S\$59.23 million and sales of used automobiles contributed S\$6.24 million. In another words, sales of Alfa Romeo or Touring Superleggera or Scorpio Electric were about S\$10.94 million only.

(a) What is the sales breakdown?

Company’s response

In FY2020, the sales of Alfa Romeo amounted to S\$10.68 million. There were no sales in Touring Superleggera and Scorpio Electric.

(b) How were the sales trends before COVID-19?

Company's response

For the sales trends before COVID-19, the revenue in Q4 FY2020 had increased by 78% compared to Q3 FY2020. The revenue in Q1 FY2021 has dropped by 71% compared to Q4 FY2020.

- Q8. The Marketing and Distribution expenses of the Group increased by S\$0.18 million or 6.6%, from S\$2.71 million in FY2019 to S\$2.89 million in FY2020, mainly due to an increase in option commission. Please elaborate further on option commission.**

Company's response

Option commission is a commission payable to salesmen when customers have done customisations on their cars.

- Q9. The write-downs of inventories charged to profit or loss included in cost of sales was S\$0.98 million in FY2020. What inventories were those and how is the write-down of inventories situation likely to worsen in view of the COVID-19?**

Company's response

The write-downs of inventories mainly relate to the stock of luxury watches in connection with the Group's distribution of luxury items as part of supplemental revenue. In FY2020, the Group has increased the provision for watches since the growth in watch industry has slowed down significantly as the economic climate has taken a turn. We had made additional allowance of S\$0.62 million for watches in FY2020. We are actively trying to sell the watches via wholesale channels and had also taken steps to rationalise the costs, with no employee expense and have ceased retail operations.

- Q10. For investment in subsidiaries, the Group had reversed impairment loss of EuroSports Auto Pte. Ltd. ("ES") in FY2019 due to better performance from an increase in demand in sales. If the sales decreased due to COVID-19, how likely is the impairment loss to be made for investment in ES?**

Company's response

The Company will review and assess together with its auditors whether any impairment is necessary for its investment in subsidiaries on an annual basis.

- Q11. Please explain the reason(s) for the increased in the charge for trade receivables to profit or loss included in other losses by 4.2 times from S\$0.18 million in FY2019 to S\$0.76 million in FY2020.**

Company's response

Management has reviewed and assessed the receivables recoverability from individual customers. Management has also taken into consideration the outbreak of COVID-19 pandemic by providing appropriate amount of allowance for impairment on trade receivables as at 31 March 2020.

- Q12. The Group placed S\$6.93 million of security deposits for bank facilities. What are the natures of the bank facilities?**

Company's response

The nature of the bank facilities of the Group are letters of credit, performance guarantees, trust receipts and term loan from Malayan Banking Berhad and United Overseas Bank Limited.

By Order of the Board

EuroSports Global Limited
Goh Kim San
Executive Chairman and Chief Executive Officer
10 September 2020

*This announcement has been prepared by the Company and its content have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the content of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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