

Independent Auditor's Report to the Members of EUROSPORTS GLOBAL LIMITED

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of EuroSports Global Limited (the "company") and its subsidiaries (the "group") which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2025, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows of the group, and statement of changes in equity of the company for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 March 2025 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the financial year ended on that date.

Basis for Qualified Opinion

(1) Assessment of impairment the group's intangible assets and prepayments

As at 31 March 2025, the group recognised intangible assets of \$13,365,000 relating to the development of an electric motorcycle model. This represents approximately 27% of the group's total assets. As disclosed in Note 2B and Note 14, whilst the development of this electric motorcycle model has reached certain technical milestones, the group's ability to commence commercial production of the electric motorcycle is dependent on its ability to secure the necessary funding for the commercial production and, as at the reporting date, it remains uncertain as to whether such funding will be obtained in the foreseeable future. As the recoverability of the intangible assets depends on the group's ability to commercially produce the product and thereby generate future economic benefits for the group, the inability to obtain funding for commercial production indicates that the intangibles assets could be impaired under SFRS(I) 1-36 *Impairment of Assets*.

In addition, the group also recorded prepayments of \$3,331,000 related to the development of the aforesaid electric motorcycle model. Given the uncertainty surrounding the viability of the development of this vehicle, these prepayments may also not be recoverable.

Due to the significant uncertainties on the group's ability to secure funding for the commercial production of the electric motorcycle as well as the assumptions and estimates used by management to determine the recoverable value of these assets, we were unable to obtain sufficient appropriate evidence to independently substantiate and verify these assumptions and estimates. As a result, we were unable to determine whether the carrying amounts of these non-financial assets as at 31 March 2025 are fairly stated.

(2) Impairment assessment of the company's investment in subsidiary and other receivables

In the company's statement of financial position, the company recorded an investment in Scorpio Electric Pte. Ltd. ("SEC") amounting to \$4,236,000. In addition, the company also recorded receivables due from SEC amounting to \$8,089,000. SEC is the subsidiary developing the electric motorcycle model set out above. Given the reasons outlined in the above paragraphs, there are indications that the company's investment in, and amounts due from, SEC are impaired. However, as at reporting date, management did not record allowance for impairment of these items. Due to the significant uncertainties on the group's ability to secure funding for the commercial production of the electric motorcycle as well as the assumptions and estimates used by management to determine the recoverable value of the investment in, and amounts due from, SEC, we were unable to obtain sufficient appropriate evidence to independently substantiate and verify these assumptions and estimates. As a result, we were unable to determine whether the carrying amounts of these non-financial assets of the company as at 31 March 2025 are fairly stated.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements, which indicates that the group recorded net loss of \$6,370,000 and net cash outflows in operating activities of \$2,890,000 during the year ended 31 March 2025. In addition, as of that date, the current liabilities recorded by the group and the company exceeded the current assets by \$407,000 and \$1,481,000, respectively. In this connection, the external liabilities of the group and the company amounted to \$46,071,000 and \$18,366,000, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the group and the company to continue as going concerns. Management is, however, of the view that the use of the going concern basis in the preparation of these financial statements is still appropriate taking into consideration the mitigating factors disclosed in Note 1. If the going concern assumption is inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised for amounts other than those at which they are currently recorded in the statements of financial position. In addition, the group and the company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters ("KAM") are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion and the Material Uncertainty Related to Going Concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of net realisable value of inventories

Refer to Notes 2A and 2B to the financial statements for the relevant accounting policy and key estimates used in the valuation of inventories respectively, and Note 17 for the classification details of inventories at the financial year end.

As at 31 March 2025, inventories amounted to \$15,293,000, representing 31% of the group's total assets.

Management applied judgement in determining the appropriate allowance for inventories by taking into consideration various factors, including prevailing market conditions, future demand and anticipated selling prices. We have therefore identified inventories valuation as an area requiring particular audit attention.

We considered the appropriateness of management's judgements applied in calculating the value of the inventory allowance, taking into consideration historical information and latest available market information. In addition, we checked the mechanical accuracy of the allowance by reviewing the calculation criteria and recalculating them to check that they are in line with the group policy. Further, we also reviewed the ageing of the inventory items and, for selected items, compared the carrying values to recent sales transactions.

We also assessed the adequacy of disclosures made in the financial statements.

Assessment of carrying value of intangible assets

Refer to Notes 2A and 2B to the financial statements for the relevant accounting policy and key estimates used in the valuation of intangibles respectively, and Note 14 on intangible assets at the financial year end.

As at 31 March 2025, intangible assets amounted to \$13,365,000, representing 27% of the group's total assets. These intangible assets relate mainly to the group's sustainable mobility segment, in particular, that relating to the development of an electric motorcycle model. We focused on this area due to the size of the intangible assets and the inherent judgement involved in forming a valuation of these assets, particularly regarding future sales and profit forecasts.

Management applied judgement in assessing the carrying value of intangible assets at the reporting date. Management used the "value-in-use" method to determine the recoverable amounts. This required management making estimates that took into account various factors, including revenue growth rates, profit margins, prevailing market conditions, future demand and anticipated selling prices, terminal growth rates and discount rates.

We discussed with management the processes over the determination of forecasted revenue growth of the sale of electric motorcycles, the profit margins, terminal growth rates and discount rates. We assessed management's estimates applied in the value-in-use model based on our knowledge of the operations. However, as described in the Basis for Qualified Opinion section of our report, the inability to obtain funding for commercial production of the electric motorcycles as well as the significant uncertainties of the assumptions and estimates used by management to determine the recoverable value of these assets indicates that the intangibles assets could be impaired.

We also assessed the adequacy of disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, the recoverability of the intangible assets and prepayments depend on the group's ability to commercially produce the product and thereby generate future economic benefits for the group, the inability to obtain funding for commercial production indicates that the intangible assets and prepayments could be impaired under SFRS(I) 1-36 *Impairment of Assets*. Given the reasons above, there are indications that the company's investment in, and amounts due from, SEC are also impaired. The failure to recognise these impairments could result in an overstatement of intangible assets, prepayments, investment in SEC, amount due from SEC and profit for the year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, except for the matter described in the Basis for Qualified Opinion section of our report above, 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 Tan Beng Teck.

RSM SG Assurance LLP
Public Accountants and
Chartered Accountants
Singapore

16 July 2025

Engagement partner – effective from year ended 31 March 2022

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Note 1 to financial statement

Uncertainties relating to current macroeconomic conditions

The group continues to operate in a complex macroeconomic and geopolitical environment. While inflationary pressures and interest rates have shown signs of stabilisation in certain markets, ongoing uncertainties such as geopolitical tensions, trade restrictions, and sustained regional conflicts continue to weigh on customer sentiment, input costs, and overall market confidence. Although these factors have not had a direct impact on the group's operations to date, they have contributed to indirect pressures that may affect the group's financial position, operating performance, cash flows, and medium- to long-term outlook.

The sector in which the group operates has faced adverse effects following the increase in car taxes for high-end vehicles announced in the Singapore Budget of 2024. The group incurred a loss after tax of \$6,370,000 for the financial year ended 31 March 2025 and, as at that date, its current liabilities exceeded its current assets by \$407,000. In addition, net cash flows used in operating activities was \$2,890,000. The disruptions arising from the current economic conditions may materially affect the group's ability to generate sufficient cash flows from its operations. However, management reached a conclusion that the going concern basis of accounting is still appropriate due to the following mitigating actions, including management's expectation that the group will generate sufficient cash flows from operating activities to support the operating expenses for at least, but not limited to, twelve months from the end of the financial period as well as raising fresh funds with potential investors for the group to meet its debt obligations, operations and capital needs.

Basis for going concern

The group incurred a net loss of \$6,370,000 and has negative net cash outflows used in operating activities of \$2,890,000 during the financial year ended 31 March 2025, and as of that date, the group and the company's current liabilities exceeded their current assets by \$407,000 and \$1,481,000 respectively. These circumstances represent a material uncertainty on the group and company's abilities to continue as going concerns.

Notwithstanding the negative working capital position, management is of the view that the use of the going concern basis in the preparation of these financial statements is appropriate after taking into account the following factors:

- The group remains confident in the ability of its Automobile Distribution business to generate sufficient operating cash flow to support its operating expenses in the next 12 months;
- Subsequent to the financial year end, and as of the date of this report, the group has entered into a loan agreement of \$1,750,000 to support the operations for the next 12 months;
- Subsequent to the financial year end, the group received an offer amounting to approximately S\$2.75 million intended to support the group's cash flow. As at the date of this report, management and the board of director are in the process of assessing the terms of the arrangement. While the arrangement remains under negotiation and the final agreements have not yet been executed, management and the board of directors remain committed to the transaction and is confident of securing the necessary funding;
- One of the directors, who is also the major shareholder, has provided a letter of undertaking to extend financial support to the group and the company to enable them to meet their financial obligations and to continue as a going concern. The undertaking is valid for a period of 18 months from 16 July 2025;
- Subsequent to the financial year end, the group successfully refinanced its existing short-term facilities, converting them into long-term borrowings totalling approximately S\$10,888,000. This refinancing enhances the group's financial flexibility and supports ongoing operational requirements; and

- The secured funding has been designated exclusively for the group's Automobile Distribution business. It will be applied solely towards sustaining the operational activities, fulfilling working capital requirements, and supporting the continuity and strategic objectives of that business segment. The group remains committed to prudent financial management and will ensure that these funds are utilised in a disciplined and purpose-driven manner in alignment with the intended use.

If the group is unable to successfully conclude the above matters and the going concern assumption is inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised for amounts other than those at which they are currently recorded in the statements of financial position. In addition, the group may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.