



## **DRAGON GROUP INTERNATIONAL LIMITED**

(Company Registration No. 199306761C)  
(Incorporated in the Republic of Singapore)  
(the "Company")

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### **RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR ANNUAL GENERAL MEETING ON 31 AUGUST 2023**

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The board of directors (the "Board") of Dragon Group International Limited (the "Company" and together with its subsidiaries, collectively the "Group") refers to the Company's annual report for the financial year ended 31 December 2021 and the related documents published on 16 August 2023. The Company has received queries from Securities Investors Association (Singapore) and the Company wishes to provide the Company's response to the queries raised as set out below.

*Unless otherwise defined herein, capitalised terms used in this announcement shall bear the same meaning ascribed to them.*

#### **Question 1**

The company was placed on the watch-list under financial entry criteria pursuant to Rule 1311(1) of the Listing Manual of the SGX-ST on 4 March 2015. The deadline for the company to meet the financial exit criteria as set out in Rule 1314(1) of the Listing Manual was 3 March 2017, pursuant to Rule 1315 of the Listing Manual.

Even after receiving an extension of time, the company was unable to satisfy the financial exit criteria before the expiry of the extended deadline. SGX-ST issued the company a delisting notification on 11 April 2018 and trading in the company's securities ceased 10 May 2018.

Pursuant to Listing Rule 1306, the company or its controlling shareholder(s) must comply with Listing Rule 1309, which requires the company or its controlling shareholder(s) to provide a reasonable exit offer to shareholders.

The board has stated that work on the exit proposal is ongoing.

- (i) **Can the board, especially the independent directors, help shareholders better understand the company's own efforts at providing a reasonable exit offer to shareholders?**
- (ii) **Given that the equity attributable to owners of the companies was US\$1.378 million as at 31 December 2021, has the board prioritised the safeguarding of the company's resources (including cash) to strengthen its ability to provide an exit offer to shareholders?**
- (iii) **What discussions has the board held with the controlling shareholder regarding making a delisting offer to shareholders? Is the board able to act independently and proactively to protect the interests of the company and its shareholders?**

It has been more than 5 years since SGX-ST issued the delisting notice and the suspension of trading of the company's shares.

- (iv) **Does the board have an indicative timeline for any milestones or potential corporate actions?**

## Response to Question 1

- (i) The Board is currently in talks with one potential offeror. However, as the discussion is still in the early stage, the Board is unable to disclose any further details and will make the necessary announcement as and when there are material developments.
- (ii) The Board will endeavour to safeguard the Company's resources. However, the Company is currently relying on the financial support of its Holding Company, ASTI Holdings Limited ("ASTI") to operate as a going concern and finance its operation.
- (iii) The Company's controlling shareholder ASTI has been issued with a delisting notice and is currently working on its exit offer. Hence, ASTI is unable to make any exit offer to the shareholders of the Company. The Board is able to act independently and proactively to protect the interests of the Company and its shareholders.
- (iv) As the discussion is still in the early stage, the Board does not have any indicative timeline.

## Question 2

The independent auditor of the company has issued a disclaimer of opinion on the audited financial statements of the company and the group for the financial year ended 31 December 2021.

The basis for the disclaimer of opinion can be found in the independent auditor's report on pages 4 and 5 of the annual report. The bases are the use of the going concern assumption and the impairment assessments of the group's and the company's interest in EoCell Limited ("EoCell").

Specifically, 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. 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.

The auditor has stated the following:

*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 fair value less costs of disposal ("FVLCD") and expected credit losses ("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.*

- (i) Can the board/audit committee (AC) help shareholders better understand the challenges faced by the external valuers in finalising the valuation of EoCell?**
- (ii) Given the difficulties in arriving at a valuation for EoCell, might it be reasonable for shareholders to infer that the technology and/or business model of EoCell could be overly ambitious and/or technically intricate?**
- (iii) What measures have the board and management undertaken to address the uncertainties surrounding EoCell? Are additional investments needed to support the growth of EoCell?**
- (iv) What are the key operational challenges faced by EoCell?**
- (v) How significant is the risk that the carrying value of EoCell is overstated in the financial statements as at 31 December 2021?**

## Response to Question 2

- (i) Like all other start-up companies, EoCell is actively looking for financing opportunities for future growth and developments, which is a common situation among early-stage companies. The survival of EoCell, like many early-stage companies, is highly dependent on the occurrence of future financing and its timing. Other than revenue from Morrow Batteries AS, EoCell currently has no revenue and is looking at product commercialisation two years from now.

Given the fast-changing nature of the Battery Technology Industry that EoCell operates in, and the uncertainties involved in relation to future financing (which can significantly affect its valuation and its timing). Hence, valuers are unable to finalise their valuation reports.

- (ii) The key consideration for investing in the battery business was the possible returns it could bring to the shareholders. Unfortunately, it comes with valuation issues that cannot be avoided and the Board will have to find ways to manage this situation.
- (iii) The Management is currently in talks with new valuers and will address issues in relation to the valuation of EoCell.
- (iv) The key challenge faced by EoCell like all other start-up companies, is looking for investors and partners to develop and commercialise its product.
- (v) The Company is unable to comment on this and will seek new valuers to address this issue in their valuation report.

## Question 3

As noted in the corporate governance report, Mr Timothy Lim Boon Liat ceased as acting chief executive officer and president with effect from 5 December 2021 and resigned as executive director of the company on 31 December 2021.

In addition, the company has stated that, as at the date of the annual report, other than the directors and acting CEO, the company has no key management personnel as the company's only two key management personnel (who are not directors or acting CEO) had been retrenched on 5 December 2021.

- (i) **Can the board provide shareholders with an update on the group's operations, including the management team?**
- (ii) **What is the scale of operations of Spire Technologies Pte Ltd?**
- (iii) **What is the level of control over Nanjing Dragon Treasure Boat Development Co., Ltd.? Is the subsidiary solvent?**
- (iv) **How is the board ensuring proper accountability within the company, with respect to the business affairs of the company?**

## Response to Question 3

- (i) Currently, the Company has no key management personnel as most of them were retrenched as part of the cost-cutting measures. The Company has been trying to recruit an Acting CEO but was unable to do so given its limited budget.

In order to keep the operating costs low, the Acting CEO and Financial Controller from Holding Company, ASTI assisted the Group in its day-to-day operations as well as the strategic and overall directions.

- (ii) There are only 2 employees in Spire Technologies Pte Ltd (“Spire”). Spire with a turnover of S\$3.7 million for the financial year ended 31 December 2022 is managed by Sales Director assisted by a Customer Relationship Executive.
- (iii) The Company owned 60% equity interest in Nanjing Dragon Treasure Boat Development Co., Ltd (“DTB Boat”). In the financial year ended 31 December 2019, DTB Boat had retrenched most of its employees and has since become a dormant company. We are engaging with certain parties who are continuously looking for buyers to take over DTB Boat.
- (iv) Other than Spire and EoCell which are active entities, the rest of the companies within the Group are either dormant or entities with minimum transactions. The Board is able to ensure proper accountability within the Company with the assistance of the Acting CEO and Financial Controller from ASTI.

**BY ORDER OF THE BOARD**

**Chong Man Sui**  
**Acting Chairman**  
**29 August 2023**