

# Paul Wan & Co

Public Accountants And  
Chartered Accountants of Singapore

TrickleStar Limited

## Independent Auditor's Report

For the financial year ended 31 December 2021

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## Independent Auditor's Report

To the Members of TrickleStar Limited

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of TrickleStar 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 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 December 2021, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

#### *Basis for Opinion*

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 opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Refer to Note 3.2 and Note 7 to the financial statements</i>	
<b>Valuation of inventories</b>	<b>Audit response</b>
<p>As at 31 December 2021, the carrying amount of the Group's inventories amounted to approximately US\$2,847,000, net of inventories write-down of approximately US\$533,000 made during the financial year.</p> <p>As the general market conditions continue to be challenging and competitive due to rapid advancements in information technology and pricing competition, there is a risk that the Group's inventories may become slow-moving or obsolete due to no market demand.</p> <p>We determined this area to be a key audit matter due to the significance of inventories to the Group's financial statements and significant judgement in assessing the market positioning of the Group's products, which are dependent on factors such as current market condition, historical sales experience, customer specification requirements, demand levels and price competition in response to the industry life cycles.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"><li>• Observed year-end inventory count on sampling basis;</li><li>• Assessed Group's inventory write-down policy in accordance with SFRS(I) 1–2 <i>Inventories</i>;</li><li>• Discussed and evaluated the basis used by management in assessing allowance for inventories, including testing the accuracy of the aging data on sampling basis;</li><li>• Reviewed management's assessment on net realisable value of inventories on sampling basis, and checked inventories are stated at the lower of cost and net realisable value; and</li><li>• Assessed adequacy of the related disclosures in the financial statements.</li></ul>

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### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Refer to Note 3.2 and Note 5 to the financial statements</i></p> <p><b>Impairment of intangible assets</b></p> <p>As at 31 December 2021, the Group's carrying amount of intangible assets amounted to approximately US\$358,000, net of impairment loss of approximately US\$1,497,000 made during the financial year.</p> <p>The Group has performed an impairment assessment and measured the recoverable amount of the intangible assets based on value-in-use approach in accordance with SFRS(I) 1-36 <i>Impairment of Assets</i>. This process requires estimating future cash flows based on management's view of future business prospects with consideration of the impact of Covid-19 on the future cash flows and forecast of revenue growth, profit margin and discount rate.</p> <p>We determined this area to be a key audit matter due to the significance of intangible assets to the Group's financial statements and significant estimates and assumptions involved in management's determination of the value-in-use.</p>	<p><b>Audit response</b></p> <p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"><li>Assessed management's determination as to whether there is an indication of impairment of intangible assets in accordance with SFRS(I) 1-36 <i>Impairment of Assets</i>;</li><li>Evaluated the key assumptions use in impairment assessment by:<ul style="list-style-type: none"><li>Assessed the revenue growth rate and gross profit margin against historical performance;</li><li>Assessed the sensitivity of the key estimates on the impairment assessment, based on reasonably possible changes in the key estimates; and</li></ul></li><li>Assessed adequacy of the related disclosures in the financial statements.</li></ul>

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### **Report on the Audit of the Financial Statements (cont'd)**

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in 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. We have nothing to report in this regard.

#### *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)s, 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.

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### Report on the Audit of the Financial Statements (cont'd)

#### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.
- 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.

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### Report on the Audit of the Financial Statements (cont'd)

#### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

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, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor 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 Cheah Jun Liang Kelvin.

*Paul Wan & Co*

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Singapore  
28 February 2022