

TREK 2000 INTERNATIONAL LTD

(the “Company”)

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905744N)

VARIANCES BETWEEN THE PRELIMINARY UNAUDITED FULL YEAR RESULTS ANNOUNCEMENTS AND AUDITED FINANCIAL STATEMENTS IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “Board”) of Trek 2000 International Ltd (the “Company” and together with its subsidiaries, the “Group”) refers to its unaudited full year financial results announcements for the financial year ended 31 December 2015 (“FY2015”) released via SGXNET on 19 July 2016 (the “Preliminary Unaudited FY 2015 Financial Results”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Board wishes to announce that, subsequent to the release of the Preliminary Unaudited FY 2015 Financial Results, the external auditor has proposed certain adjustments and reclassifications which the management of the Company has adopted accordingly. These are material variances and the reasons for such material variances between the Preliminary Unaudited FY 2015 Financial Results and the audited financial results of the Group for FY2015 are set out below:

A. CONSOLIDATED STATEMENT OF (LOSS)/PROFIT AND OTHER COMPREHENSIVE INCOME.

	NOTE	Preliminary Unaudited Results US\$'000	Variance US\$'000	Audited US\$'000
Revenue	1	149,135	(299)	148,836
Cost of sales	2	(145,156)	(324)	(145,480)
Gross profit/ (Loss)		3,979	(623)	3,356
Other items of income:				
Interest income		714	-	714
Other income	3	949	77	1,026
Other items of expense				
Research and development expenses	4	(4,838)	1,161	(3,677)
Marketing and distribution expenses	5	(3,069)	(141)	(3,210)
General administration expenses	6	(5,004)	(916)	(5,920)
Other expenses	7	(352)	(77)	(429)
Finance costs		(153)	-	(153)
(Loss) profit before income tax		(7,774)	(519)	(8,294)
Income tax benefit		204	-	204
(Loss)/profit for the year	8	(7,570)	(519)	(8,089)
Minority interest	9	848	457	1,305
		(6,722)	(62)	(6,784)
Loss after tax for the year	8	(7,570)	(519)	(8,089)
Net loss on investment securities:		(149)	-	(149)
- Fair value adjustment				

	NOTE	Preliminary Unaudited Results	Variance	Audited
-Transfer to profit or loss upon disposal		(328)	-	(328)
Foreign currency translation	10	(1,417)	(209)	(1,626)
Other comprehensive income, net of tax		(1,894)	(209)	(2,103)
Total comprehensive income for the year		(9,464)	(728)	(10,192)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Company		(8,616)	692	(7,924)
Non-controlling interests	9	(848)	(1,420)	(2,268)
		(9,464)	(728)	(10,192)

Note: Explanation for the variances

1. The revision to audited "Revenue" of US\$148,836,000 compared with unaudited "Revenue" of US\$149,135,000 is due to the reversal of sales from customers that should be recognised in 2013 amounting to US\$299,000.
2. The revision to audited "Cost of sales" of US\$145,480,000 compared with unaudited "Cost of sales" of US\$145,156,000 is due to:
 - a. Effect of unrealised margins on inventory sold to subsidiaries now eliminated by US\$151,000;
 - b. Reversal of credit note that should be recognised in 2013 amounting to US\$212,000
 - c. Reclassification of staff salary from "Research and development expenses" to "Cost of sales" expenses amounting to US\$234,000; and
 - d. Exchange difference as a result of the above adjustments amounting to US\$28,000.
3. The revision to audited "Other income" of US\$1,026,000 compared with unaudited amount of US\$949,000 is mainly due to gain from unrealised foreign exchange of US\$77,000 reclassified from "Other expenses" to "Other income" (see Note 7).
4. The revision to audited "Research and development expenses" of US\$3,677,000 and unaudited "Research and development expenses" of US\$4,838,000 is due to:
 - (a) a reclassification of US\$915,000 from "Research and development expenses" to "General Administration" (see note 6); and
 - (b) an increase by US\$246,000 due to amortisation of intangible assets.
5. The revision to audited "Marketing and distribution expenses" of US\$3,210,000 and unaudited "Marketing and distribution expenses" of US\$3,069,000 is due to provision for doubtful debt arising from a subsidiary amounting to US\$141,000.
6. The revision to audited "General administration expenses" of US\$5,919,000 and unaudited "General administration expenses" of US\$5,004,000 is due to reclassification of fixed assets written off amounting to US\$915,000 from "Research and development expenses" to "General administration expenses" (see note 4(a) above).
7. The revision to audited "Other expenses" of US\$430,000 and unaudited "Other expenses" of US\$353,000 is due to reclassification of gain of unrealised foreign exchange of US\$77,000 to "Other income". (see note 3 above)
8. The revision to audited "Loss after tax" of US\$8,089,000 and unaudited "Loss after tax" of US\$7,570,000 is represented by the net effect of variance as explained in Notes 1 to 7.

9. The revision to audited "Minority interest" of US\$1,305,000 compared with unaudited "Minority interest" of US\$848,000 is mainly due to non-controlling net effect arising from re-computation of non-controlling interest after considering the above adjustments.
10. The revision to audited "Foreign currency translation" of US\$1,626,000 compared with unaudited "Foreign currency translation" of US\$1,417,000 is due to re-computation after the above adjustments

B. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	GROUP			COMPANY			
	Note	Preliminary Unaudited Results	Variance	Audited	Preliminary Unaudited Results	Variance	Audited
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets							
Property, plant, and equipment		12,959	-	12,959	6	-	6
Intangible assets	11	5,751	(590)	5,161	1,809	-	1,809
Investment in subsidiaries		-	-	-	5,225	-	5,225
Investment in associates		-	-	-	5	-	5
Quoted investments		8,749	-	8,749	8,749	-	8,749
Unquoted investments		182	-	182	-	-	-
		27,641	(590)	27,051	15,794	-	15,794
Current assets							
Inventories	12	22,734	(216)	22,518	-	-	-
Trade and other receivables	13	11,436	978	12,415	26,139	-	26,139
Prepayments		265	-	265	8	-	8
Cash and short-term deposits		24,256	-	24,256	393	-	393
		58,691	762	59,454	26,540	-	26,540
Total assets		86,332	172	86,505	42,334	-	42,334
Current liabilities							
Trade payables and accruals	14	28,390	1,086	29,476	81	-	81
Other payables	15	2,299	30	2,329	319	-	319
Hire purchase payables		154	-	154	-	-	-
Term loans and overdrafts		1,249	-	1,249	-	-	-
Income tax payable		768	-	768	-	-	-
		32,860	1,116	33,976	400	-	400
Non-current liabilities							
Term loans		500	-	500	-	-	-
Deferred taxation		457	-	457	-	-	-
Hire purchase payables		150	-	150	-	-	-
		1,107	-	1,107	-	-	-
Total liabilities		33,967	1,116	35,083	400	-	400
Equity attributable to owners of the Company							
Share capital		37,829	-	37,829	37,829	-	37,829
Treasury shares		(283)	-	(283)	(248)	-	(248)
Revenue reserve	16	(3,160)	553	(2,607)	3,714	-	3,714

	Note	GROUP			COMPANY		
		Preliminary Unaudited Results	Variance	Audited	Preliminary Unaudited Results	Variance	Audited
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Other reserves	17	3,681	(2,799)	882	639	-	639
		38,067	(2,246)	35,821	41,934	-	41,934
Non-controlling interests	18	14,298	1,303	15,601	-	-	-
Total equity		52,365	(943)	51,422	41,934	-	41,934
Total liabilities and equity		86,332	173	86,505	42,334	-	42,334

Note: Explanation for variances

11. The revision to audited "Intangible assets" of US\$5,161,000 compared to unaudited "Intangible assets" of US\$5,751,000 is due to capitalised development cost of US\$590,000 relating to FY2013 and FY2014 being written off to retained earnings.
12. The revision to audited "Inventories" of US\$22,518,000 compared to unaudited "Inventories" of US\$22,734,000 is due to adjustment relating to unrealised margins on inventory sold to subsidiaries eliminated as at the end of the financial year amounting to US\$216,000.
13. The revision to audited "Trade and other receivables" of US\$12,415,000 compared to unaudited "Trade and other receivables" of US\$11,436,000 is due to adjustments of:

	US\$'000
a. Net debit balances of which was included on trade payables and accruals, now reclassified to trade and other receivables	1,546
b. Additional provision for doubtful debts	(202)
c. Being subsidiary's reclassification of related companies	(396)
d. Reclassification of an associate's balances from Other Payables	30

14. The revision to audited "Trade payables and accruals" of US\$29,476,000 compared to unaudited "Trade payables and accruals" of US\$28,390,000 is due to adjustments of:

	US\$'000
a. Net debit balances reclassified to trade and other receivables	1,546
b. Being adjustment for credit note received	(449)
c. Being subsidiary's reclassification of related companies	(65)
d. Net foreign exchange differences	54

15. The revision to audited "Other payables" of US\$2,329,000 compared to unaudited "Other payables" of US\$2,299,000 is due to a reclassification of an associate's balances of US\$30,000 from "Trade payables" to "Other payables".
16. Resultant net impact of the above adjustments to "Revenue reserve" from the above adjustments.
17. The revision to audited "Other reserves" of US\$882,000 compared to unaudited "Other reserves" of US\$3,681,000 is due to:
 - (a) Adjustment for the effects of change in equity ownership in the dilution of interest held in a subsidiary amounting to (US\$3,037,000)
 - (b) Being share of exchange differences arising from minority interest amounting to US\$238,000
18. The revision to audited "Minority interest" of US\$15,601,000 compared with unaudited "Minority interest" of US\$14,298,000 is mainly due to non-controlling net effect arising from re-computation of non-controlling interest after considering the above adjustments.

C. CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015.

	Note	Preliminary Unaudited Results	Variance	Audited
		US\$'000	US\$'000	US\$'000
Operating cash flows before changes in working capital	19	(3,352)	4,537	1,185
Cash flows generated from operations	19	9,428	(822)	8,606
Net cash generated from operating activities	19	9,245	(821)	8,424
Net cash used in investing activities	19	(4,552)	574	(3,978)
Net cash generated from financing activities	19	8,949	16	8,965
Net increase in cash and cash equivalents	19	13,590	(179)	13,411

Note: Explanation for variance

19. Adjustments and reclassification to the consolidated statement of cash flow are a result of the changes made to the consolidated statement of (loss)/profit and other comprehensive income and the consolidated statement of financial position above.

By Order of the Board

Trek 2000 International Ltd

Dr. Long Ming Fai Edwin

Executive Director and Deputy Chief Executive Officer

21 September 2016