



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

**EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors ("Board") of Trek 2000 International Ltd ("Company", and together with its subsidiaries, "Group") wishes to announce that the Company's auditors, Messrs Foo Kon Tan LLP ("FKT"), had without modifying their opinion, included an Emphasis of Matter in their Independent Auditor's Report in respect of the Group's audited financial statements for year ended 31 December 2019 ("FY2019").

The opinion of the Independent Auditor remains unqualified.

Please refer to the Independent Auditor's Report and the extract of the relevant note to the Financial Statements for easy reference.

Notwithstanding, the Board would like to confirm that all issues identified in the independent review and Phase 2 Report have been considered and accounted for, and the related account balances adjusted in prior years such that there is no impact to the financial statements of the Company and its subsidiaries for the financial years ended 31 December 2018 and 31 December 2019.

Shareholders of the Company are advised to read the Financial Statements which is part of the Company's Annual report.

BY ORDER OF THE BOARD

Tan Joon Yong Wayne
Group President and Executive Director

8 June 2020

Independent auditor's report to the members of Trek 2000 International Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trek 2000 International Ltd (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 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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.

Emphasis of Matter

As disclosed in Note 2(e) to the financial statements, the Company announced in previous years that several former key executives of the Company were assisting the Commercial Affairs Department in the investigations on a possible offence under the Penal Code. An external professional firm was appointed by the Company in previous years to conduct an independent review of the matters under investigation, and a report (the "Phase 2 Report") was issued in 2018, in which seven issues were raised and the possible financial impact in respect of each issue were assessed and quantified. The directors and management of the Company have confirmed that all issues identified in the Phase 2 Report have been considered and accounted for. The remaining balance of US\$509,634 arising from the issues is recorded as other creditors in trade and other payables as disclosed in Note 16 to the financial statements. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Trek 2000 International Ltd (cont'd)

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.

Fair value of unquoted equity investments (refer to Note 8 to the financial statements)

As at 31 December 2019, the Group and the Company have unquoted equity investments at fair value through other comprehensive income ("FVOCI") of US\$1,323,337, after changes in fair value of US\$2,681,663 recognised in other comprehensive income for the financial year ended 31 December 2019. Management has engaged an independent professional valuer ("management's expert") to determine the fair values of the unquoted equity investments at FVOCI. The fair value of the unquoted equity investments at FVOCI is considered to be a key audit matter due to the judgements applied and the assumptions and estimates used in the determination of the fair values of the investments, and the significance of the fair value changes of the investments in the Group's comprehensive income.

As part of our audit of the fair value of the unquoted investments at FVOCI, we assessed the methodologies and appropriateness of the key assumptions used by the management's expert. We gained understanding of and reviewed the assumptions in the input data from management and the management's expert through discussions, comparisons to industry peers, historical trends and independent external data sources, and reference to supporting documentation. We evaluated the competence, capabilities and objectivity of the management's expert. We also involved an auditor's expert to assist us in the aforementioned. We evaluated the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the work performed by the management's expert and auditor's expert. In addition, we considered the adequacy of disclosures in the financial statements.

Net realisable value of inventories (refer to Note 9 to the financial statements)

As at 31 December 2019, the Group has gross inventories of US\$5,604,465, with allowance for slow-moving and obsolete inventories of US\$1,606,218. Inventories comprise raw materials and finished products. The determination of write-down on inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of net realisable values to determine an appropriate level of allowance required. This process also involves management to consider the price protection arrangements with certain key suppliers, adding complexity to the process. In addition, this process is subject to uncertainty arising from rapid technological changes, given the nature of the Group's inventories. As such, we have determined that this is a key audit matter.

As part of our audit of the carrying amount of inventories, we evaluated the analyses and assessments made by management with respect to the carrying amount and the identification of slow-moving and obsolete inventories and the expected demand and net realisable value of the inventories. We tested the net realisable values of the inventories on a sample basis by comparing the carrying values of the inventories to the latest selling prices. We attended and observed management's physical stock count process, including identification of slow-moving and obsolete inventories. We also inquired management to obtain an understanding of the terms of the price protection arrangement that the Group has entered with its suppliers. In addition, we assessed the adequacy of disclosures in the financial statements.

Independent auditor's report to the members of Trek 2000 International Ltd (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 identified above 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.

Independent auditor's report to the members of Trek 2000 International Ltd (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.

Independent auditor's report to the members of Trek 2000 International Ltd (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 those subsidiary corporations 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 Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore

8 June 2020

**Trek 2000 International Ltd
and its subsidiaries**

Notes to the financial statements for the financial year ended 31 December 2019

2(e) Update of previous years' Commercial Affairs matters

As reported in previous financial years, on 25 February 2016, the Company announced that its Board of Directors had, through the Audit Committee, discovered that the Company had entered into certain interested person transactions ("IPTs") with T-Data Systems (S) Pte. Ltd. ("T-Data") from 27 November 2007 to 26 March 2014.

This was followed by the Company receiving a notice from the Commercial Affairs Department on 25 May 2016 informing the Company that it is conducting an investigation into certain transactions undertaken by the Company and has requested for certain information and documents to be provided by the Company.

This led the Company to appoint RSM Corporate Advisory Pte Ltd ("RSM") on 8 June 2016 to conduct a forensic financial findings on the IPTs ("IPT Inquiry") followed by a separate report on suspicious transactions and possible round-tripping transactions involving the interested persons (the "Phase 2 Report"). The IPT Inquiry Report was released by the Company via SGXNet on 17 July 2017. The Phase 2 Report was released by the Company via SGXNet on 23 April 2018.

The Company had also received a Notice of Compliance from Singapore Exchange Regulation Pte Ltd ("SGX RegCo") on 26 April 2018 requiring the Company to undertake an independent review of the Company's internal controls and corporate governance practices.

The Company had performed its own investigations since the release of the Phase 2 Report and the Board of Directors had submitted a full written legal representation of the findings with supporting evidence of the SGX RegCo on 5 October 2018. The legal representation was to address the suspicious transactions noted in the Phase 2 Report. The Company had also appointed an external professional firm to undertake an independent review of the Company's internal control and corporate governance practices. The external professional firm had finalised the report on 30 October 2019, and the Company had submitted the report to SGX RegCo.

Charges were made by the Commercial Affairs Department against four former executive officers in September 2019. The charges concerned three issues highlighted in the Phase 2 Report. The cases were mentioned in Court in November 2019. The directors and management of the Company have verified and confirmed that all issues identified in the Phase 2 Report have been considered and the related account balances adjusted in prior years such that there is no impact to the financial statements of the Company and its subsidiaries for the financial years ended 31 December 2018 and 31 December 2019.