

TREK 2000 INTERNATIONAL LTD

(the “Company”)

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905744N)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SGX-ST LISTING MANUAL - DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Board of Directors of Trek 2000 International Ltd (the “Company”) wishes to announce that the independent auditors of the Company, Messrs Ernst & Young LLP (the “Independent Auditors”), have issued a disclaimer of opinion in their Independent Auditors’ Report on the financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2016.

Relevant sections of the Independent Auditors’ Report are reproduced below:

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Trek 2000 International Ltd (the “Company”) and its subsidiaries (collectively the “Group”), which comprise the balance sheets of the Group and the Company as at 31 December 2016, income statements, statements of comprehensive income and statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Opening balances

We issued a disclaimer of opinion on the financial statements of the Group and the Company for the year ended 31 December 2015. The basis for the disclaimer of opinion included, amongst others, the inability to obtain sufficient audit evidence arising from matters relating to i) the on-going investigations and inquiries into affairs of the Group and the Company (Note 2.28), ii) the appropriateness of the stated carrying values of assets, iii) appropriateness of tax provisions and iv) subsequent events. Further details on the basis for disclaimer of opinion are set out in our audit report dated 21 September 2016.

As the opening balance as at 1 January 2016 formed the basis for determining the financial performance, changes in equity and cash flows for the financial year ended 31 December 2016, we are unable to determine whether adjustments are required to the financial statements of the Group and the Company for the financial year ended 31 December 2016.

We also draw attention to Note 37 which describes further adjustments made to restate the Group’s financial statements for the year ended 31 December 2015. Based on information made available to us, we are unable to obtain sufficient appropriate audit evidence about the appropriateness and adequacy of the adjustments made.

Ongoing reviews and investigations

As disclosed in Note 2.28 to the financial statements, we had informed the management of certain inconsistencies in the accounting records maintained by the Group and the Company during the course of our audit and expressed concerns over the validity of certain transactions recorded therein.

Arising from the above, the Group had appointed external professional firms to conduct an independent review into the inconsistencies in accounting records and certain transactions, including transactions with interested persons and related parties. The Company also announced that the Commercial Affairs Department of the Singapore Police Force ("CAD") is conducting its investigations into the affairs of the Company. As at the date of this report, the review by external professional firms and CAD investigation are ongoing.

The outcome of the review and investigation into the affairs of the Group and the Company could uncover other information which may require adjustments and/or additional disclosures to the financial statements.

Financial position and results of Racer Technology Pte. Ltd. ("Racer") and its subsidiary companies (collectively, "Racer Group")

As at the date of issue of the financial statements, we have not completed the audit of the financial statements of Racer Group. The financial results, assets and liabilities of Racer Group which have been consolidated by the Group affect several line items in the consolidated financial statements of the Group. Racer's relative contribution in terms of total assets as at 31 December 2016, revenue and net profit for the year then ended is significant to the Group.

We further draw attention to Note 38 to the financial statements. The disposal of Racer Group at a loss subsequent to year-end presents an indicator that the assets held by Racer Group at 31 December 2016 may be impaired. Despite the loss, management have assessed that no impairment is required on the assets held by Racer Group as at 31 December 2016 as they are of the view that the recoverable amounts of these assets exceeded their stated carrying value of \$18,267,589 (Note 14) then.

We have not been able to obtain the information and explanations that we considered necessary in order to satisfy ourselves as to i) whether the financial statements of Racer Group are in form and content appropriate and proper for inclusion in the Group's consolidated financial statements and ii) whether the summarised financial information of Racer Group disclosed in Note 14 to the financial statements were appropriate. Consequently, we are unable to determine whether any adjustments in respect of the aforementioned are necessary.

Carrying values of property, plant and equipment ("PPE") and intangible assets

The carrying values of PPE and intangible assets held by the Group and the Company as at 31 December 2016 were as follows:

	Carrying values 2016	
	Group \$	Company \$
Property, plant and equipment (Note 12)	10,314,463	13,093
Intangible assets (Note 13)	3,565,621	1,600,695

As disclosed in Note 9 to the financial statements, the Group recognised write-offs and impairment losses on PPE and intangible assets of \$214,305 and \$810,546 respectively for the financial year ended 31 December 2016.

Carrying values of property, plant and equipment (“PPE”) and intangible assets (cont’d)

Based on information made available to us, we are unable to determine whether the basis used by management to allocate the carrying values of PPE and intangible assets to their associated cash-generating units are appropriate. We have not been also provided with sufficient information and explanations we considered necessary to assess the reasonableness of the assumptions used in establishing the recoverable amounts of PPE and intangible assets. Consequently, we are not able to ascertain if the basis for providing impairment loss for PPE and intangible assets are appropriate. Accordingly, we are unable to determine whether any adjustments to the stated carrying values of PPE and intangible assets as at 31 December 2016 are necessary.

Tax provisions

As disclosed in Note 10 to the financial statements, the Group recorded income tax expense of \$918,376 for the year ended 31 December 2016. The income tax payable and deferred tax liabilities recognised by the Group at 31 December 2016 were \$1,243,725 and \$697,890, respectively.

We have not been provided with sufficient information to ascertain whether the tax implications of matters described in the preceding paragraphs had been adequately dealt with in these financial statements. Consequently, we are unable to determine whether any adjustments to the recorded income tax expense, income tax payable and deferred tax liabilities are required.

In view of the matters set out in the preceding paragraphs, we are unable to determine the appropriateness, completeness and accuracy of the financial statements, nor are we able to quantify the extent of further adjustments that might be necessary in respect of the financial statements of the Group and the Company for the financial year ended 31 December 2016.

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 Companies Act, Chapter 50 (the “Act”) and Financial Reporting Standards in Singapore (“FRSs”), 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 responsibility is to conduct an audit of the consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company in accordance with Singapore Standards on Auditing and to issue an auditor’s report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether 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 Mak Keat Meng.

BY ORDER OF THE BOARD

Trek 2000 International Ltd

Dr. Long Ming Fai Edwin
Executive Director and Deputy Chief Executive Officer

29 May 2017