

TREK 2000 INTERNATIONAL LTD

(Company Registration No. 199905744N)
(Incorporated in the Republic of Singapore)

UPDATE ON IPT INQUIRY AND RELEASE OF INTERESTED PERSON TRANSACTIONS INQUIRY REPORT

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Trek 2000 International Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s announcements on SGXNET released on 25 February 2016, 7 April 2016 and 8 June 2016 (collectively, the “**Previous Announcements**”).
- 1.2 Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Previous Announcements.

2. INTERESTED PERSON TRANSACTIONS INQUIRY

- 2.1 As stated in the Previous Announcements, the Company had appointed RSM Corporate Advisory Pte Ltd (“**RSM**”) as forensic accountants to review the Company’s interested person transactions (“**IPTs**”) from a forensic financial perspective (“**IPT Inquiry**”).
- 2.2 The scope of work of the IPT Inquiry covered the following in respect of the IPTs for the period from 2008 to 2015:
- (i) review the nature and circumstances of the related party transactions (“**RPTs**”) and IPTs identified by TSMP, and any other RPTs or IPTs that may come to RSM’s attention in the course of the IPT Inquiry;
 - (ii) review the internal approval process involving the RPTs or IPTs;
 - (iii) ascertain the number of transactions, the quantum involved, whether they were conducted on normal commercial terms, and opine on the financial impact to the Group; and
 - (iv) identify any lapses / internal control weakness(es), breaches of listing rules and make the appropriate recommendations.
- 2.3 RSM has completed the IPT Inquiry and the report on its findings (the “**IPT Inquiry Report**”) has been submitted to the SGX-ST and the Board. An executive summary of the IPT Inquiry Report (“**Executive Summary**”) is annexed to this announcement.

Summary of key findings of RSM

- 2.4 A summary of the key findings of RSM is set out below.

IPTs

- 2.5 T-Data Systems (S) Pte Ltd (“**T-Data**”) was deemed an interested person for the purpose of Chapter 9 of the Listing Manual (“**Interested Person**”) since its incorporation up to at least 18 February 2016 and the Group had entered into sale and purchase IPTs with T-Data between the financial year ended 2008 (“**FY2008**”) and financial year ended 2015 (“**FY2015**”) (the “**T-Data Transactions**”), the total value of which was approximately US\$185.7 million.
- 2.6 S-Com Solutions (Hong Kong) Co. Limited (“**S-Com HK**”) was deemed an Interested Person since 30 April 2008 up to at least 3 October 2016 and the Group had entered into sale and purchase IPTs with S-Com HK between FY2008 and FY2015 (the “**S-Com HK Transactions**”), the total value of which was approximately US\$11.3 million.
- 2.7 For more details on the RSM’s findings on the T-Data Transactions and S-Com HK Transactions, please refer to section C and E of the Executive Summary.

T3 Solutions (HK) Limited (“T3 Solutions”)

- 2.8 T3 Solutions, a company incorporated in Hong Kong, was a shell company wholly owned by GRL14 Limited. Mr Tan Joon Wei Winn (“**Winn**”) (son of Mr Henn Tan, Chairman, Chief Executive Officer and Executive Director of the Company) purchased T3 Solutions from GRL14 Limited, pursuant to which the then sole share of T3 Solutions was transferred from GRL14 Limited to Winn on 3 July 2015. Accordingly, T3 Solutions was deemed to be an Interested Person from 3 July 2015. From 16 October 2015, T3 Solutions entered into transactions with the Group.
- 2.9 However, a trust deed dated 12 February 2016 (the “**Trust Deed**”), which was subsequently sighted, indicated that Winn had held shares in T3 Solutions as a trustee for the benefit of Trek Technology (Singapore) Pte Ltd (a member of the Group) (“**Trek Singapore**”) from the date of incorporation of T3 Solutions. In connection with the foregoing, RSM noted that Winn transferred the 100% shareholding in T3 Solutions to Trek Singapore on 12 February 2016.
- 2.10 The Company indicated that the financial position and results of T3 Solutions for the period from 2 September 2014 to 31 December 2015 had been consolidated with the Group in the full year financial statements and dividend announcement for FY2015 made by the Company on SGXNET on 18 July 2016. RSM had verified the same based on the consolidation worksheet prepared by the Company for the said announcement. As a result, RSM did not assess the financial impact of the Group’s transactions with T3 Solutions.

RSM’s opinion on the IPTs

- 2.11 Overall, RSM was of the opinion that the IPTs were prejudicial to the Company and its minority shareholders from a purely pecuniary perspective. This was notwithstanding the fact that in some financial years, additional profits were earned as a result of the Group entering into such IPTs. If one were to take the Company’s position with respect to the T-Data Patent Transactions (as defined in the Executive Summary) where the Company had computed cost savings of US\$32,781.14 (instead of additional costs incurred of US\$624,239 as per RSM’s computation), then the T-Data IPTs would have resulted in costs savings and therefore additional profits earned

by the Group of US\$234,824 instead of RSM's computation of a reduction in profits earned or additional costs incurred of US\$422,196. However, RSM disagreed with the Company's analysis for the reasons as stated in paragraph 53 of the Executive Summary.

- 2.12 For more details on the RSM's opinion on the IPTs, please refer to paragraphs 79 and 80 of the Executive Summary.

Potential breaches highlighted by RSM

- 2.13 As a result of the above findings, RSM has also highlighted potential breaches of duties by current and former directors and/or officers, namely Mr Henn Tan, Mr Poo Teng Pin (former Executive Director) and Mr Gurcharan Singh (former Executive Director and Chief Financial Officer) arising from common law, legislation and the Listing Manual.
- 2.14 For more details on the potential breaches of directors' duties, please refer to section G of the Executive Summary.

3. RECOMMENDATIONS AND GOING FORWARD

- 3.1 RSM has, in its IPT Inquiry Report, noted weaknesses and/or lapses in corporate governance, internal controls and possible non-compliance with the Listing Manual and has advised the Board to seek legal advice and follow up on the various matters noted in the IPT Inquiry Report. Please refer to Section H of the Executive Summary for details of the recommendations.
- 3.2 In connection with this and as announced on 20 July 2016, the Board had appointed Deloitte and Touche Enterprise Risk Services Pte Ltd ("**Deloitte**") to provide services to assist the Company to review the business processes and recommend improvements to the existing policies and procedures. This is part of the Board's commitment to ensure high standards of corporate governance, business and operational policies and procedures are put in place and maintained, to protect the interests of all stakeholders of the Company. The Company has since implemented the internal control procedures recommended by Deloitte.
- 3.3 Following the completion of the IPT Inquiry Report, the Board tasked RSM to continue its work to review suspicious transactions which may require further investigation. The Board will continue to take all necessary actions in the best interests of the Shareholders and the Group. In this regard, further announcements to update Shareholders will be made as and when appropriate.

BY ORDER OF THE BOARD

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

18 July 2017