



**RSM Corporate Advisory Pte Ltd**

8 Wilkie Road, #03-08  
Wilkie Edge, Singapore 228095

T +65 6533 7600

CorpAdvisory@RSMSingapore.sg  
www.RSMSingapore.sg

## **FORENSIC ACCOUNTANTS' REPORT TO THE AUDIT COMMITTEE OF TREK 2000 INTERNATIONAL LTD**

### **INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

**("the Report")**

The document attached is the Executive Summary extracted verbatim from the Report dated 17 July 2017.

**RSM CORPORATE ADVISORY PTE LTD**

**Chee Yoh Chuang**  
Executive Director

## EXECUTIVE SUMMARY

### A. Introduction

1. On 25 February 2016, the Board of Directors of Trek 2000 International Ltd (the "**Company**") announced that it had, through the Company's Audit Committee (the "**AC**"), discovered certain interested person transactions as defined under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), entered into by the Company with T-Data Systems (S) Pte. Ltd. ("**T-Data**") from 27 November 2007 to 26 March 2014 (the "**IPTs**").
2. Following this discovery, the AC appointed TSMP Law Corporation ("**TSMP**") on 4 April 2016 to conduct an independent inquiry, and to review and report to the AC on the same.
3. On 26 April 2016, the Company announced that it was informed by its auditors, Ernst & Young LLP ("**EY**") that a report had been submitted by EY to the Accounting and Corporate Regulatory Authority ("**ACRA**") on matters that had come to EY's attention in the course of their audit of the financial statements of the Company and its subsidiaries for the year ended 31 December 2015.
4. Subsequently on 25 May 2016, the Company announced that it received a notice from the Commercial Affairs Department of the Singapore Police Force ("**CAD**") that the CAD was conducting an investigation into certain transactions undertaken by the Company and requested for certain information and documents to be provided.
5. On 8 June 2016, the Company announced that TSMP had presented certain preliminary findings to the AC and highlighted that the full review on IPTs would require certain information on the past transactions of the Company and its subsidiaries (collectively, the "**Group**") which would require a forensic accounting firm to provide their findings and analysis from a forensic financial perspective. The AC accepted this recommendation and RSM Corporate Advisory Pte Ltd ("**RSM**") was appointed on 8 June 2016 to conduct a review of the IPTs ("**IPT Inquiry**"). Given the report by EY to ACRA and the ongoing investigations of the CAD, the AC

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

also instructed RSM to expand the scope of work to include any suspicious transactions.

6. However, for the purpose of reporting, the AC has instructed that RSM presents its findings on the IPT Inquiry first. Further review on the Company's suspicious transactions including those matters reported by EY to ACRA and matters under the investigations of the CAD as announced by the Company on 25 May 2016 and 1 June 2016 will be covered in a subsequent report. The review of suspicious transactions will extend to areas which were connected to the IPTs covered under this report such as possible round-tripping of transactions involving T-Data and S-Com HK, and the concerns on the ownership of the patents registered in T-Data's name and the resulting potential misstatement of the Group's intangible assets.
7. This IPT report has been prepared by RSM, and not TSMP. To the extent there were issues on Singapore law, we have consulted TSMP.
8. As TSMP had performed certain work, the findings of which were presented to the AC prior to our appointment, we have relied on some of the work done and inputs provided by TSMP in the preparation of this report, to avoid duplication of work. This includes various discussions and interviews carried out by TSMP before our appointment with the relevant persons involved in the IPT Inquiry. In this IPT report, wherever we have relied on TSMP's findings, we have expressly stated so. TSMP assumes no responsibility for any of the views expressed in this IPT report.
9. This report does not address the Company's compliance with the disclosure requirements under the Singapore Financial Reporting Standard ("**SFRS**") issued by the Accounting Standards Council, particularly the disclosure of related party transactions under SFRS 24. Where information has been incomplete or not forthcoming, we have highlighted this, as appropriate, in the body of our report.
10. The review period covered under this report is from FY2008 to FY 2015. The IPT Inquiry revealed that between FY2008 and FY2015, the Company had entered into transactions with T-Data, S-Com Solutions (Hong Kong) Co., Limited ("**S-Com HK**") and T3 Solutions (HK) Limited ("**T3 Solutions**").

11. This report details the review and analysis on the relationship between the Group and T-Data, S-Com HK and T3 Solutions and whether the transactions entered into with these entities were considered IPTs under Rule 904 of the Listing Manual. This report also addresses the financial impact of the IPTs based on RSM's analysis of the T-Data and S-Com HK IPTs. As T3 Solutions' financial position and results from its incorporation date on 2 September 2014 to 31 December 2015 were consolidated with the Group's financial position and results for FY2015, an analysis on the financial impact of the transactions with T3 Solutions was not necessary. T3 Solutions transacted with the Group only from 16 October 2015 onwards.
12. We will address the following in this Executive Summary:
- (a) the nature and circumstances of the IPTs and our basis for classifying T-Data, S-Com HK and T3 Solutions as interested persons under the Listing Manual;
  - (b) the quantum of the IPTs;
  - (c) whether the IPTs were conducted on normal commercial terms as other third parties which the Group had transacted with, and the financial impact of the IPTs;
  - (d) the Company's internal control weaknesses and compliance with the Listing Manual as well as the potential breaches of directors' duties under the common law; and
  - (e) our recommendations for the Company.

Sales and Purchases Listings

13. The Company has provided the sales and purchases listings for our review, and have confirmed that apart from the 11 entities listed below, there were no other entities within the Group that had any transactions with T-Data and/or S-Com HK from 2008 to 2015.<sup>1</sup>

---

<sup>1</sup> We had initially requested the Company to provide us with the sales and purchases listings containing the details of the customers and suppliers for the first six entities listed in the table above

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

No.	Entities	Sales Listing	Purchases Listing
1	The Company	2008 - 2015	-
2	Trek Technology (Singapore) Pte Ltd (" <b>Trek Singapore</b> ")	2008 - 2015	2008 - 2015
3	S-Com System (S) Pte Ltd (" <b>S-Com Singapore</b> ")	2008 - 2015	2008 - 2015
4	Trek Systems (M) Sdn Bhd (" <b>Trek Malaysia</b> ")	2008 - 2015	2008 - 2015
5	Trek Technology (HK) Co. Ltd (" <b>Trek HK</b> ")	2008 - 2015	2008 - 2015
6	Cloud Stringers (S) Pte Ltd (" <b>Cloud Stringers</b> ")	2013 - 2015	2013 - 2015
7	Trek Technology (Shanghai) Co. Ltd (" <b>Trek Shanghai</b> ")	2009 - 2012	2009 - 2012
8	Trek Technology (Thailand) Company Ltd (" <b>Trek Thailand</b> ")	2014 - 2015	2008 - 2015
9	Trek Technology (India) Pvt Ltd	2008 - 2015	-
10	Thumbdrive Media Sdn Bhd (" <b>Thumbdrive Malaysia</b> ")	2013 - 2015	-
11	Unimemory Technology (S) Pte Ltd	2014 - 2015	-

14. Even though we requested for information for the period up to present date, we have only been provided with the listings up to FY2015 as detailed above as the Company was working on a series of adjusting entries in discussion with EY which would have an impact on the FY 2016 figures at the time when we first sent our information request list to the Company in June 2016. Accordingly, we have based the IPT Inquiry for the transactions entered into with T-Data and S-Com HK on the information contained in the above listings.
15. Due to time constraints, we have carried out vouching on approximately 90% of the total value of the IPT Transactions against supporting documents. Our analysis is largely based on the Sale and Purchase Listings provided by the Company.

who were identified as material operating entities. The Company had provided us the listings as requested, and confirmed that apart from the listings provided, the Group had not entered into any other transactions with T-Data and S-Com HK. However, contrary to the Company's confirmation, during the course of our review of the Group's documents at the office of CAD, we sighted invoices issued by T-Data to Trek Shanghai, Trek Thailand and Thumbdrive Malaysia. Arising from that, we requested for the sales and purchases listings for the remaining entities listed in the table. We wish to further highlight that during our review at CAD's office, we also sighted two invoices with identical invoice numbers, both issued by T-Data to Thumbdrive Malaysia. One invoice was for the sum of S\$61,200 and the other, for RM150,000. Both invoices were dated 2 October 2009. However, the Company did not provide us with the purchases listing for Thumbdrive Malaysia but confirmed that Thumbdrive Malaysia did not have any sales or purchases transactions with T-Data and S-Com HK and accordingly, these two invoices have not been taken into account in this Report. Subsequent to the query raised by SGX in January 2017, the Company then confirmed that there was in fact a purchase of an equipment by Thumbdrive Malaysia from T-Data on 2 October 2009 for RM150,000 (or S\$61,200) but the transaction was not recorded in the purchases listing possibly due to the migration of accounting software in 2013. The Company confirmed that this was the only transaction between Thumbdrive Malaysia and T-Data. Our work is largely based on the listings given by the Company as detailed above and the Company's confirmation that there were no other entities which had entered into transactions with T-Data and S-Com HK.

**TREK 2000 INTERNATIONAL LTD  
INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

**B. The Interested Persons**

T-Data

16. T-Data is a company incorporated in Singapore on 27 November 2007. Based on our review, T-Data had entered into certain sale and purchase transactions with the Group from FY2008 (instead of 27 November 2007) to FY2015.

17. 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 by virtue of the following relationships:-

- (i) Since its incorporation to 18 September 2012, Loo Soo Hooi ("**Loo**") was the sole shareholder of T-Data. Between 18 September 2012 and 24 March 2015, Loo held 20% shareholding in T-Data. Loo is the spouse of Poo Teng Pin ("**Poo**"), who was, until 12 July 2016, a director of the Company. Loo was the sole director of T-Data from incorporation up to 18 March 2016.
- (ii) On 18 September 2012, Loo transferred 80% of her shareholding to Tan Joon Yong, Wayne ("**Wayne**") and Wayne held 80% of the shares in T-Data up to 26 March 2014. Wayne is the son of Tan Henry @ Henn Tan ("**Henn**"), and Henn was, at all material times and is, the Chairman, CEO and Executive Director of the Company.
- (iii) Wayne transferred his 80% shareholdings to his cousin (and Henn's nephew), Tan Chun Chieh, Edwin ("**Edwin**") on 26 March 2014. Another cousin of Wayne's, Tan Ai Ching ("**Shirley**"), subscribed for new shares in T-Data on 24 March 2015, resulting in Loo's shareholdings being diluted to 0.2%. Shirley subsequently also bought all of Loo's shares in T-Data on 18 March 2016 (after the IPT Announcement). The shareholdings in T-Data from 27 November 2007 up to 6 December 2016 are summarized below:

<b>27 Nov 07 to 18 Sep 12</b>	<b>18 Sep 12 to 26 Mar 14</b>	<b>26 Mar 14 to 24 Mar 15</b>	<b>24 Mar 15 to 18 Mar 16</b>	<b>18 Mar 16 to 8 Apr 16</b>	<b>8 Apr 16 to 6 Dec 16</b>
Loo: 100%	Loo: 20% Wayne: 80%	Loo: 20% Edwin: 80%	Loo: 0.2% Edwin: 0.8% Shirley: 99%	Edwin: 0.8% Shirley: 99.2%	Shirley: 100%

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

(iv) Notwithstanding Wayne's transfer of his shareholdings to Edwin on 26 March 2014, we have treated T-Data as an Interested Person up to at least 18 February 2016 as the practice of reporting the affairs (including the financial information and performance) of T-Data to Henn appeared to have continued until at least 18 February 2016 based on the following:

- Based on the email correspondence, Henn's wife, Mdm Ang Poh Tee ("**Adeline**") appeared to be handling some aspect of T-Data's business and affairs, if not all.
- In 2013, there were emails between Henn and Adeline, relating to T-Data's affairs such as his instructions on salary / bonus payments and documents to be prepared by T-Data; and
- After 26 March 2014 and until the last email sighted between Henn and Adeline on 18 February 2016, Adeline continued to report to Henn on matters involving T-Data including its financial performance, salary records, appointment of auditors and secretarial documents to be signed. Henn also continued to give instructions on matters relating to T-Data such as a payment to be made by T-Data, change of address, communication to be made under T-Data's email address and the reporting of T-Data's performance.

During the Maxwellization Process, Henn stated that (i) Adeline merely assisted with basic book-keeping and administration while Wayne was with T-Data, and thereafter, only on an ad-hoc basis at the request of Shirley until Shirley found a replacement. (ii) Henn did not give instructions to Adeline regarding T-Data's operations. Any emails forwarded by Adeline to Henn were done on the instructions of the management of T-Data and were mostly administrative in nature; (iii) Henn's concern was merely that his home address no longer be used as T-Data's registered address after Wayne had left T-Data; and (iv) Henn did not give any instructions to T-Data on the remittance of funds, but rather had asked Shirley for assistance to remit some monies to Japan. Henn could not recall if such assistance was rendered. Both Wayne and Shirley have confirmed the accuracy of point (ii).



**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

Wayne and Adeline also explained during the Maxwellisation Process that such emails were sent pursuant to T-Data's obligations as the Company's "*distributor*". Wayne also explained that during his tenure in T-Data, it was "*mandatory*" to submit Annual Financial statements to the Company for credit review as a distributor. However, we note that neither the 2015 Agency Agreement nor the 2009 Agency Agreement imposes the obligation on T-Data to provide financial statements to Trek. The above also fails to explain why Adeline had reported other matters in relation to T-Data, such as salary and bonus payments, appointment of auditors, etc., to Henn.

- (v) We have also sighted several documents which further suggests that Henn and/or Poo retained control over the business of T-Data even after the change in shareholdings:-
- a) A Tenancy Agreement between T-Data (as tenant) and S-Com Singapore (as landlord) for a retail shoplot at Sim Lim Tower dated 1 January 2015. This Tenancy Agreement was signed by Poo on behalf of T-Data; and
  - b) T-Data Sales, Shipping and Tax Invoices issued to Homesun International Limited dated 19 January 2016 and Tax and Shipping Invoices and packing lists issued to V-Gen Mobile dated 18 January 2016 were signed by Henn on behalf of T-Data.

S-Com HK

18. S-Com HK is a company incorporated in Hong Kong on 3 October 2005. It entered into certain sale and purchase transactions with the Group from FY2008 to FY2015.
19. S-Com HK was deemed an Interested Person since 30 April 2008 up to at least 3 October 2016 (date of the latest Annual Return submitted by S-Com HK), by virtue of the following relationships:-
- (i) Henn, Chairman, CEO and Executive Director of the Company, has since 30 April 2008 been a shareholder of S-Com HK. He held 100% of shares in



S-Com HK as at 30 April 2008, however from 3 July 2015 onwards, Henn held 51% shares while Wayne held the remaining 49% shares.

- (ii) Pursuant to an allotment of shares to Wayne on 3 July 2015, Henn and Wayne currently hold 51% and 49% of shares in S-Com HK respectively.

### T3 Solutions

20. T3 Solutions is a company incorporated in Hong Kong on 2 September 2014 as a shell company with one share which was held by GRL14 Limited. Based on an invoice dated 12 June 2015 issued by a corporate secretarial firm in Hong Kong, we note that T3 Solutions was purchased from the said firm for HKD15,000 including the costs of the share capital of the shell company, registration fees, professional fees and other incidental costs. Arising from the purchase, the share in T3 Solutions was transferred by GRL14 Limited to Mr Tan Joon Wei Winn ("**Winn**"), who is a son of Henn, on 3 July 2015 and T3 Solutions was deemed to be an Interested Person on this date onward. Shortly after the purchase of T3 Solutions, Winn subscribed for and was allotted 9,999 shares, increasing the company's share capital to HKD10,000 comprising 10,000 shares.
21. T3 Solutions had entered into transactions with the Group from 16 October 2015. On 12 February 2016, Winn transferred his entire shareholding in T3 Solutions to Trek Singapore. However, on 8 August 2016, we sighted a trust deed dated 12 February 2016 indicating that Winn had held the shares in T3 Solutions as trustee for the benefit of Trek Singapore (the "**Trust Deed**") from the date of incorporation of T3 Solutions. This Trust Deed formed part of the documents the Company provided to the CAD pursuant to the CAD investigations on the Company (announced on 25 May 2016). RSM was granted access to such documents between 2 August and 2 September 2016. We understand that there was a previous trust deed entered into between the parties which had been misplaced.
22. 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 the year ended 31 December 2015 made by the Company on SGXNET on 18 July 2016.

We have verified the same based on the consolidation worksheet prepared by the Company for the said announcement. As a result, we did not assess the financial impact of the Group's transactions with T3 Solutions.

**C. Overview of the IPTs**

The T-Data IPTs

23. Based on the information provided by the AC and documents that we have reviewed, the following transactions were entered into between the Group and T-Data from FY2008 to FY2015:-

- (i) the Company sold certain products to T-Data, including, *inter alia*, Ai-Ball, FluCard, Memory Modules, FlashAir, Trek Brand thumbdrives and USB drives ("**T-Data Sale Transactions**");
- (ii) the Company purchased certain products from T-Data, including, *inter alia*, Ai-Ball, thumbdrives, FluCard and FluCard Reader products ("**T-Data Purchase Transactions**");
- (iii) three IT-related transactions between T-Data and each of the following three Group subsidiaries: Cloud Stringers, Trek Singapore, and S-Com Singapore, for, *inter alia*, the provision of certain information technology related services and products by T-Data ("**T-Data IT Transactions**");
- (iv) the Company's payments of registration and renewal fees to various intellectual property registries for patents registered in T-Data's name ("**T-Data Patent Transactions**"); and
- (v) S-Com Singapore (a Group entity) had charged a monthly rental to T-Data for T-Data's occupation of its retail shoplot located at 10 Jalan Besar, #03-46 Sim Lim Tower, Singapore 208787 ("**T-Data Rental Transaction**"),

(collectively, the " **T-Data Transactions**").

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

24. The total value of the T-Data Transactions entered into between FY2008 and FY2015 is summarized in the table below:

Financial Year	Total Value of IPTs					
	T-Data Sale Transactions (USD)	T-Data Purchase Transactions (USD)	T-Data IT Transactions (USD)	T-Data Patent Transactions (USD)	T-Data Rental Transaction (USD)	Total (USD)
2008	380,326.15	-	-	-	-	380,326.15
2009	725,097.78	-	-	52,381.27	-	777,479.05
2010	467,147.14	-	-	265,400.38	-	732,547.52
2011	3,751,414.86	-	52,780.00	126,582.33	-	3,930,777.19
2012	6,118,553.74	398,547.29	-	421,399.44	-	6,938,500.47
2013	11,918,544.94	135,500.00	-	292,887.47	-	12,346,932.41
2014	56,077,293.75	973,418.72	400,000.00	219,769.57	-	57,670,482.04
2015	102,284,376.97	-	350,000.00	227,369.66	26,289.00	102,888,035.63
<b>Total</b>	<b>181,722,755.33</b>	<b>1,507,466.01</b>	<b>802,780.00</b>	<b>1,605,790.12</b>	<b>26,289.00</b>	<b>185,665,080.45</b>

25. Notwithstanding our position that T-Data is deemed to be an interested person of the Group up to at least February 2016, we understand from the Company that the Group has continued to transact and is still transacting with T-Data (2016: USD7.29 million) on the basis of a legal opinion it obtained that subsequent to 26 March 2014 and up to the date of the legal opinion on 2 November 2016, T-Data has not been an Interested Person in relation to the Company as it did not fall under the definition of an 'interested person' under the Listing Manual.
26. Based on our review of the general ledgers of the relevant Group entities, we made the following observations with respect to the T-Data Transactions above:
- (i) Approximately 98.9% of the T-Data Sale Transactions were settled by T-Data to the Group via payments while the remaining were substantially contra off against the T-Data Purchase Transactions;
  - (ii) Approximately 76.1% of the T-Data Purchase Transactions were settled by the Group to T-Data via payments while the remaining were contra off against the T-Data Sale Transactions;
  - (iii) Approximately 56.2% of the T-Data IT Transactions were settled by the Group to T-Data via payments while the remaining were contra off against the T-Data Sale Transactions;

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

- (iv) The payments for the registration and renewal fees under the T-Data Patent Transactions were made directly to legal firms and service providers; and
- (v) All of the T-Data Rental Transactions were settled by T-Data to the Group.

The S-Com HK IPTs

27. The following transactions were entered into by the Group with S-Com HK from FY2008 to FY2015:-

- (i) sales of certain products, including *inter alia*, the sale of Ai-Ball, Memory Modules, Trek Brand thumbdrives and USB drives to S-Com HK ("**S-Com HK Sale Transactions**"); and
- (ii) purchases of certain products, including *inter alia*, Ai-Ball, Memory Modules, Trek Brand Thumbdrives and USB drives from S-Com HK ("**S-Com HK Purchase Transactions**"),  
  
(collectively, the "**S-Com HK Transactions**"),

28. The total value of the S-Com HK Transactions entered into from FY2008 to FY2015 considered as IPTs (i.e, from 30 April 2008 onwards) is summarized in table below:

Financial Year	Total Value of IPTs		
	S-Com HK Sale Transactions (USD)	S-Com HK Purchase Transactions (USD)	Total (USD)
2008	428,111.02	81,264.11	509,375.13
2009	624,271.19	227,690.46	851,961.65
2010	2,172,296.65	522,000.79	2,694,297.44
2011	1,697,110.98	1,228,909.77	2,926,020.75
2012	1,736,243.06	2,218,047.09	3,954,290.15
2013	37,312.80	54,162.46	91,475.26
2014	20,563.35	222,645.00	243,208.35
2015	995.50	14,325.70	15,321.20
<b>Total</b>	<b>6,716,904.54</b>	<b>4,569,045.38</b>	<b>11,285,949.92</b>

29. The Company confirmed that the Group has ceased all trading activities and did not have any transactions with S-Com HK in FY 2016.
30. Based on our review of the general ledgers of the relevant Group entities, we made the following observations with respect to the S-Com HK Transactions above:
- (i) Approximately 48.8% of the S-Com HK Sale Transactions were settled by S-Com HK to the Group via payments while the remaining were substantially contra off against the S-Com HK Purchase Transactions; and
  - (ii) Approximately 7% of the S-Com HK Purchase Transactions were settled by the Group to S-Com HK via payments while the remaining were substantially contra off against the S-Com HK Sale Transactions.

**D. Compliance with the Rules of the Listing Manual**

Rules 905, 906 and 907 of the Listing Manual

31. The Company is required to comply with the following rules in the Listing Manual with respect to IPTs:-
- (i) Rule 905 of the Listing Manual requires an issuer to make an immediate announcement of any IPT, or any IPTs which when aggregated with other transactions entered into with the same interested person during the same financial year is, of a value equal to, or more than, 3% of the group's latest audited NTA;
  - (ii) Rule 906 of the Listing Manual requires the issuer to also obtain shareholders' approval for any IPT that is, or any IPTs which when aggregated with other transactions entered into with the same interested person during the same financial year that is, of a value equal to or more than 5% of the group's latest audited NTA; and

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

(iii) Rule 907 of the Listing Manual requires an issuer to disclose in a prescribed format the aggregate value of IPTs entered into during the financial year under review in its Annual Report.

32. The aggregate value of the T-Data Transactions for each FY for FY2011 to FY2015 and the aggregate value of the S-Com HK Transactions for each FY for FY2010 to FY2012 (collectively, the "**Breach Periods**") each exceeded 5% of the Group's audited NTA for the year preceding it. However, no announcements were made by the Company and no shareholders' mandate was sought. Further, no disclosures were made in the Company's Annual Reports for any of the T-Data IPTs or the S-Com HK IPTs. Accordingly, the Company has, *inter alia*, breached Rules 905, 906 and 907 of the Listing Manual during the Breach Periods.

(i) The aggregate value of the T-Data Transactions for each FY in FY2011 to FY2015 exceeded 5% of the Group's audited NTA for the year preceding it:

<b>Financial Year</b>	<b>Total Value of T-Data IPTs (USD)</b>	<b>Prior Year Audited NTA (USD)</b>	<b>As a Percentage of Prior Year Audited NTA</b>
2008	380,326.15	41,090,026	0.9%
2009	777,479.05	35,800,508	2.2%
2010	732,547.52	38,303,981	1.9%
2011	3,930,777.19	42,031,891	<b>9.4%</b>
2012	6,938,500.47	39,006,047	<b>17.8%</b>
2013	12,346,932.41	35,115,696	<b>35.2%</b>
2014	57,670,482.04	34,739,800	<b>166.0%</b>
2015	102,888,035.63	40,271,464	<b>255.5%</b>
<b>Total</b>	<b>185,665,080.45</b>		

**Notes:-**

- (1) The NTA is computed based on total assets less total liabilities, intangible assets and non-controlling interest.
- (2) The Group's audited accounts for each particular year when the transactions took place had yet to be finalized. As such, the latest audited NTA for each year for the purpose of the computation above is based on the audited NTA for the immediate prior year.
- (3) In the FY2015 Annual Report, the Company had restated its Balance Sheets for FY2013 and FY2014. We have not used the restated figures to compute the NTA as these figures were made available recently (22 September 2016) and not at the point when the transactions took place.

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

- (ii) The aggregate value of the S-Com HK Transactions for each FY in FY2010 to FY2012 exceeded 5% of the Group's audited NTA for the year preceding it:

<b>Financial Year</b>	<b>Total Value of S-Com HK IPTs (USD)</b>	<b>Prior Year Audited NTA (USD)</b>	<b>As a Percentage of Prior Year Audited NTA</b>
2008	509,375.13	41,090,026	1.2%
2009	851,961.65	35,800,508	2.4%
2010	2,694,297.44	38,303,981	<b>7.0%</b>
2011	2,926,020.75	42,031,891	<b>7.0%</b>
2012	3,954,290.15	39,006,047	<b>10.1%</b>
2013	91,475.26	35,115,696	0.3%
2014	243,208.35	34,739,800	0.7%
2015	15,321.20	40,271,464	0.0%
<b>Total</b>	<b>11,285,949.92</b>		

**Notes:-**

- (1) Please refer to the notes under **Paragraph 32(i)** above with respect to our calculation of the NTA.

- (iii) We have considered the value of the S-Com HK IPTs on a standalone basis when assessing whether a breach had occurred. The alternative approach may require the aggregation of the S-Com HK and T-Data IPTs to form an overall assessment on whether there has been a breach in a particular year due to the fact that both T-Data and S-Com HK were associates of the same person, i.e. Henn. Under this alternative approach, S-Com HK IPTs would have breached Rule 905 and 906 of the Listing Manual not only for FY2010 to FY2012 as mentioned above, but for FY2013 to FY2015 as well. However, for the purpose of this report, we have considered the T-Data and S-Com HK IPTs on a standalone and separate basis.

Rules 703 (4) and 704 (17)(c) of the Listing Manual

33. The Company must also comply with Rule 703 (4) of the Listing Manual which requires the observation of the Corporate Disclosure Policy set out in Appendix 7.1 (item 25) of the Listing Manual which stipulates that the contents of the announcement must be factual, clear and succinct. Rule 704 (17)(c) requires any acquisition of shares resulting in a company becoming a subsidiary of the issuer to be announced together with information on the value of consideration, how the value



**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

was arrived at, terms of payment, the value of the assets being acquired and details of valuation conducted, if any.

34. On 12 February 2016, the Company made an announcement on SGXNET that its subsidiary, Trek Singapore, had incorporated a wholly-owned subsidiary in Hong Kong with an issued and paid-up capital of HK\$10,000 to manage a new line of Internet of Things (“**IOT**”) business in Hong Kong. The company was T3 Solutions. We noted factual discrepancies with respect to this announcement. The announcement was made under Henn’s name on behalf of the Board.
35. Based on our review of documents available which included transfer forms and company registry lodgements, T3 Solutions was in actual fact incorporated as a shell company on 2 September 2014 with one share which was held by GRL14 Limited. On 3 July 2015, the shell company was purchased and the share was transferred to Winn who was also appointed as the sole director to replace GRL14 Limited. Winn subsequently subscribed for 9,999 shares and later on transferred 10,000 shares in T3 Solutions to Trek Singapore on 12 February 2016 for HKD10,000. On 1 April 2016, T3 Solutions further allotted 90,000 shares to Trek Singapore, increasing its share capital to HKD100,000. We were informed by the Company that Henn had paid a total of HKD100,000 on behalf of Trek Singapore and he was fully reimbursed by Trek Singapore in September 2016. Hence, Trek Singapore paid for the entire share capital of T3 Solutions.
36. As mentioned in **Paragraph 21** above, we later sighted a Trust Deed dated 12 February 2016 between Winn and Trek Singapore from our review at CAD’s office, where *‘parties have agreed that the Shares shall be held in name of [Winn] for the benefit of [Trek Singapore] absolutely on the terms of this Deed from the date of incorporation of [T3 Solutions]’* and that *‘[Winn] declares that from the Incorporation Date<sup>2</sup>, he has held and continues to hold the Shares as nominee and on trust for [Trek Singapore] absolutely’*.
37. We were informed by the Company that the purpose of having T3 Solutions and the manner of which it was established, was to circumvent ‘trade sensitivities’ with

---

<sup>2</sup> Based on our review of the documents, Winn did not hold any shares in T3 Solutions since its incorporation. The shares in T3 Solutions were transferred to Winn only on 3 July 2015.

respect to the territorial / commercial constraints which may be faced by the Group. At that point in time, T3 Solutions was transacting in memory wafers supplied by a key memory supplier who had a policy of discouraging its customers from trading in its memory wafers as the wafers were to be incorporated and sold as part of other modules or end-products. Due to the said trade sensitivities, the Group had sought the assistance of Winn to hold the shares on trust for the Group. The Company informed that it did not make any announcements when the shares in T3 Solutions were first transferred to Winn (on trust for Trek Singapore) as a public announcement would have defeated the purpose of the arrangement with Winn to circumvent the trade sensitivities. Following EY's highlight of the requirement to disclose T3 Solutions as a subsidiary of the Company in view of the trust arrangement with Winn, an announcement was made on 12 February 2016. However, as no announcement was made when the shares in T3 Solutions were first transferred to Winn, the Company made no mention of the trust arrangement with Winn in its announcement of 12 February 2016 and treated it as though T3 Solutions only became a subsidiary on 12 February 2016. Subsequent to the announcement, T3 Solutions changed its business model and is currently in the IOT business instead of trading in memory wafers.

38. Based on the above, it would appear that the Company may be in breach of Rule 703 (4) of the Listing Manual which requires announcements to be made on a timely basis and for the contents to be factual, clear and succinct. There may also be a breach of Rule 704 (17)(c) with respect to the announcement on T3 Solutions in the manner required for an acquisition of a subsidiary. In this regard, we sighted email correspondence between Singh and external service providers with respect to the draft announcement which indicated that Singh was involved in the preparation and reviewing the texts for the announcement.
39. The Company should have made an announcement at the point when T3 Solutions was acquired by Winn on Trek Singapore's behalf on 3 July 2015, setting out the manner of which T3 Solutions was acquired and the arrangement with Winn. Whilst we note that there were commercial reasons for not doing so due to the trade sensitivities as mentioned earlier, nevertheless, when the Company decided to disclose the status of T3 Solutions in February 2016, the Company should have disclosed the full facts including the arrangement with Winn as well as comply with

the disclosure requirements of an acquisition and not an incorporation of a subsidiary.

Rule 719(1) of the Listing Manual

40. Rule 719 (1) of the Listing Manual requires an issuer to have a robust and effective system of internal controls to address the financial, operational and compliance risks and that the audit committee (or such other committee responsible) may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the systems of internal control.
41. The Company had retained the services of Deloitte & Touche Enterprise Risk Services Pte Ltd ("**Deloitte**") since FY2009 "*to assess the prevailing policies and controls in addressing the key risks within the audit areas and to identify any unusual trends or anomalies*". However, we note that the audit covered areas such as revenue, credit management and collections, procurement and payments, research and development (including patent management), human resources and payroll, etc. but did not cover areas such as controls and procedures with respect to IPTs and patent management. Accordingly, Deloitte did not raise any issues on areas relating to the IPTs or the patents held by T-Data. Given the prevailing situation, the Company has included a review on the policies and procedures with respect to related party transactions and IPTs in Deloitte's scope of work which was agreed and signed in July 2016.
42. Based on a review of minutes of Board meetings and AC meetings from FY2007 to FY2015, and from TSMP's interviews conducted with Henn, Poo, and Singh, we note that management had not put in place guidelines, internal controls and review procedures for the identification of interested persons and interested person transactions, the valuation, approval and reporting of IPTs. This is in breach of Rule 719(1) of the Listing Manual. This is also inconsistent with the statements made in the Company's IPO Prospectus dated 13 May 2000 which represented that "*The Group will endeavour to comply with the principles and best practices set out in the Best Practices Guide issued by the SGX-ST in a manner which best suits its particular circumstances. In this regard, the Group intends to undertake and*

*implement internal audit controls to assist the Audit Committee in its review of any interested party transactions.”*

43. We understand that the Company's Risk Review Committee has begun formulating and implementing a comprehensive company policy to identify IPTs, establishing an IPT oversight framework and a system of disclosure of IPTs.

**E. Financial Impact of the IPTs**

44. We have computed the financial impact of the IPTs entered into during the Breach Periods, that is, the T-Data Transactions entered into from FY2011 to FY2015, and the S-Com HK Transactions entered into from FY2010 to FY2012.
45. We had initially intended to quantify the financial impact of the IPTs by analyzing the actual profits made by T-Data and S-Com HK (potentially at the expense of the Company) as a result of T-Data and S-Com HK entering into the IPTs and had contacted T-Data and S-Com HK to request for certain financial information. However, neither T-Data nor S-Com HK responded to our requests. Subsequently, in May 2017, we were only provided with the audited financial statements of S-Com HK for FY 2011 to FY 2015. In the absence of such financial information, we adopted an alternative methodology of assessing whether the IPTs were on the same normal commercial terms as the Group's transactions with third parties, which we summarize in the paragraph below.
46. In assessing whether the transactions with T-Data and S-Com HK were on normal commercial terms, we compared the gross profit margin earned (for sales) or unit cost incurred (for purchases) from the IPTs against the gross profit margin/unit costs earned/incurred from comparable transactions with third party customers/suppliers. As we understand from the Company that price fluctuation is a feature of the industry and their business, such third party transactions were identified to be used for comparison only if the third-party transaction involved identical product codes and was entered into within the same year as the respective T-Data or S-Com HK transaction ("**third party comparators**").

47. There were instances where no appropriate third party comparators existed as the Group had only transacted with either with T-Data, S-Com HK or related companies with respect to a particular product code. In these situations, we were unable to, and as such, did not carry out any comparisons. Accordingly, the computed financial impact of the T-Data and S-com HK IPTs are indicative only to the extent that appropriate third party transactions existed for our analysis, and may not reflect the actual financial impact of the entirety of the T-Data and S-Com HK IPTs.

T-Data

48. In respect of the T-Data Sale Transactions in FY2015, given the large value of sale transactions with T-Data in that particular year (USD 102.28 million), the high proportion of the sales to T-Data compared to the Group's total sales (68.6%) and the fact that no third party comparators existed for a large majority of the T-Data Sale Transactions (98.8%), we had performed additional analysis and expanded the scope of our comparison by identifying alternative third party transactions. These transactions occurred during the Breach Periods and were for the same products albeit during a different year.
49. For the 2 of the 3 T-Data IT Transactions, we were informed by the Company that the transactions were related to projects which were highly specialized and required unique customization for which no comparable transactions with third parties were available. Accordingly, we were unable to assess the financial impact of the T-Data IT Transactions for these transactions.
50. For the T-Data Patent Transactions, our analysis was made against the terms of other licensing arrangements the Company had entered into with third parties. We also obtained management's view on the general market rate for such licensing fees. We computed the average theoretical licensing charges which could have been paid by the Group based on this information provided and compared the charges against the sums paid by the Group for the fees relating to the patents registered under T-Data. The theoretical licensing charges were arrived at based on the average of the following:

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

- (i) the average theoretical licensing fee of 8%, based on management's representation that the market rate for licensing fee today could range from 6% to 10%;
- (ii) licensing fee of S\$5 per piece based on the general rate charged by the Group to small to medium-sized customers for ThumbDrive products; and
- (iii) annual fee of USD 150,000 based on the recent arrangement with Shenzhen Longsys Electronics Co., Ltd entered into in October 2015 for ThumbDrive products.

Based on the actual sales (amount and quantity) generated for products related to the patents, the computed theoretical licensing fees were S\$663,769.23, as follows:

<b>T-Data Patent Transactions</b>	<b>2011 (USD)</b>	<b>2012 (USD)</b>	<b>2013 (USD)</b>	<b>2014 (USD)</b>	<b>2015 (USD)</b>	<b>Total (USD)</b>
Scenario 1 - Theoretical licensing fees of 8% (average of 6% -10%) of Flucard sales	12,833.74	65,098.35	168,969.43	135,124.76	36,480.58	418,506.86
Scenario 2 - Theoretical licensing fees based on S\$5 per piece (converted to USD based on yearly average exchange rate)	14,042.07	117,051.88	406,659.84	205,238.01	79,809.05	822,800.84
Scenario 3 - Theoretical licensing fees based on USD 150,000 per year	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	750,000.00
<b>Average</b>	<b>58,958.60</b>	<b>110,716.74</b>	<b>241,876.42</b>	<b>163,454.26</b>	<b>88,763.21</b>	<b>663,769.23</b>

- 51. In respect of the T-Data Rental Transaction, we assessed the monthly rental rate charged by S-Com Singapore to T-Data against the current market rental rates for similar retail shoplots in the same building, i.e, Sim Lim Tower as advertised by various agents on the online property portal, CommercialGuru (operated by PropertyGuru Pte Ltd).
- 52. The directly ascertainable financial impact of the T-Data IPTs is summarized in the following table:

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

<b>Directly Ascertainable Financial Impact of the T-Data IPTs<sup>1</sup></b>	<b>2011 (USD)</b>	<b>2012 (USD)</b>	<b>2013 (USD)</b>	<b>2014 (USD)</b>	<b>2015 (USD)</b>	<b>Total (USD)</b>
T-Data Sale Transactions	(91,902)	(62,317)	(31,562)	30,492	461,195	305,906
T-Data Purchase Transactions	-	(38,505)	(239)	(65,119)	-	(103,863)
T-Data IT Transactions	-	-	-	-	-	-
T-Data Patent Transactions	(67,624)	(310,683)	(51,011)	(56,315)	(138,606)	(624,239)
T-Data Rental Transaction	-	-	-	-	-	-
<b>Additional Profits Earned or Cost Savings / (Reduction in Profits Earned or Additional Cost Incurred)</b>	<b>(159,526)</b>	<b>(411,505)</b>	<b>(82,813)</b>	<b>(90,942)</b>	<b>322,589</b>	<b>(422,196)</b>
Group Gross Profit / (Loss)	11,205,031	9,243,777	9,764,478	11,618,590	3,355,582	
As a percentage of Group Net Profit / (Loss)	-1.4%	-4.5%	-0.8%	-0.8%	9.6%	

**Note:-**

- (1) These figures are indicative only to the extent that we were able to identify appropriate third party transactions for the purpose of comparison and may not reflect the actual financial impact of the entirety of the T-Data Transactions..

53. Based on the above analysis, the directly ascertainable financial impact for each of the T-Data IPTs are as follows:-

- (i) as a result of the T-Data Sale Transactions in FY2011 to FY2015, the Group earned a total of USD 305,906 more than it would have earned had the Group sold the same products to third parties. This figure is indicative only to the extent that appropriate third party transactions exist for our analysis and may not reflect the actual financial impact of the entirety of the T-Data Sale Transactions.
- (ii) as a result of the T-Data Purchase Transactions in FY2012 to FY2014, the Group incurred USD 103,863 more in costs than it would have incurred had the Group purchased the same products from third parties. This figure is indicative only to the extent that appropriate third party transactions exist for our analysis and may not reflect the actual financial impact of the entirety of the T-Data Purchase Transactions.
- (iii) with respect to the T-Data IT Transactions, we are unable to opine on the commerciality and financial impact of the USD 52,780 IT Transaction with S-Com Singapore in FY2011 and USD 350,000 IT Transaction with Trek Singapore in FY2015 as we were unable to identify appropriate third party



transactions to compare against due to the highly specialized nature of the transactions. With respect to the USD 400,000 transaction with Cloud Stringers in FY2014, Trek Singapore had initially sold the software/hardware in question to T-Data who had purportedly provided value-added services in the form of software development with respect to the software/hardware sold. Subsequently, Cloud Stringers repurchased the software/hardware from T-Data at the same price. As a result, there was no financial gain or loss attributed to this transaction.

- (iv) as a result of the T-Data Patent Transactions, the Group had paid USD 624,239 more when compared against the average sum of the three theoretical licensing scenarios used in our analysis as shown in **Paragraph 50** above. The Company has carried out a separate exercise to compute the financial impact of the T-Data Patent Transactions. In essence, rather than taking the value of the T-Data Patent Transactions in the year that the transactions took place as tabled under **Paragraph 24** above, the Company sought to amortise some of the costs incurred over a 10-year period. The Company segregated the total payments made for the patents of USD 1,605,790.12 into: (i) payments made for annual patent renewal fees of USD 109,549.07, and (ii) the remaining patent costs of USD 1,496,241.04 consisting of legal fees, patent registration fees and other incidental costs. The Company's position is that the patent costs of USD 1,496,241.04 should be amortised over 10 years, from the date that the expenses were incurred, to reflect the economic benefits which the Company would enjoy. The Company's method of calculation resulted in patent expenses totalling USD 612,736.85 and cost savings of USD 51,032.38 arising from the T-Data Patent Transactions over the period from FY2011 to FY2015, as follows:

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

<b>Financial Impact of T-Data Patent Transactions Computed by the Company</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>	
			<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>	
Patent cost	40,074.09	264,035.44	122,873.74	411,893.58	267,097.99	194,548.11	195,718.09	1,496,241.04	
Annual renewal fees	12,307.18	1,364.94	3,708.58	9,505.86	25,789.48	25,221.46	31,651.57	109,549.07	
<b>Total</b>	<b>52,381.27</b>	<b>265,400.38</b>	<b>126,582.33</b>	<b>421,399.44</b>	<b>292,887.47</b>	<b>219,769.57</b>	<b>227,369.66</b>	<b>1,605,790.12</b>	
Amortised patent cost	4,007.41	30,410.95	42,698.33	83,887.69	110,597.48	130,052.30	149,624.10	551,278.26	
Annual renewal fees	12,307.18	1,364.94	3,708.58	9,505.86	25,789.48	25,221.46	31,651.57	109,549.07	
<b>Total T-Data Patent Transactions based on amortised cost</b>	<b>A</b>	<b>not relevant</b>	<b>not relevant</b>	<b>46,406.91</b>	<b>93,393.55</b>	<b>136,386.96</b>	<b>155,273.76</b>	<b>181,275.67</b>	<b>612,736.85</b>
Average theoretical licencing fees / charges computed by RSM (refer to Paragraph 46)	<b>B</b>	<b>not relevant</b>	<b>not relevant</b>	58,958.60	110,716.74	241,876.42	163,454.26	88,763.21	663,769.23
<b>Cost Savings / (Additional Cost Paid)</b>	<b>B - A</b>	<b>not relevant</b>	<b>not relevant</b>	<b>12,551.69</b>	<b>17,323.20</b>	<b>105,489.46</b>	<b>8,180.50</b>	<b>(92,512.46)</b>	<b>51,032.38</b>

We hold a different opinion from that of the Company based on the following reasons:

- (a) Only the patent renewal fees totalling USD109,549.07 are treated as yearly costs in the respective year that they were incurred, while the remaining patent costs of USD1,496,241.04 were amortised for 10 years. These remaining patent costs contained some yearly recurring expenses such as professional fees incidental to the renewal of the patent and should be treated as yearly costs instead of being capitalised and amortised. By doing so, it has the effect of understating the overall costs per year. . Based on the records provided to us, the Company has consistently incurred yearly costs for the patents in excess of USD 200,000 since 2012 (albeit a lower amount of approximately USD 115,000 for this year up to 30 November 2016). This raises the question of whether it is appropriate to capitalise and amortise the patent costs, as the Company did in its computation, since the costs incurred appear to be recurring year after year. Even if it is capitalised and amortised, the analysis has to take into account both the yearly renewal costs and the yearly recurring annual costs;
- (b) There is no justification in carrying the costs forward if there is no certainty that the costs incurred could generate sufficient future economic benefits for the Company. We note that the sales

generated from the use of the patents from FY2010 to FY2015 had substantially fallen short of the projected sales as contained in the management presentation pack dated 26 June 2008. Given the historical trend, there is a lack of certainty on whether the Company could generate sufficient sales going forward to justify the benefits accrued for the future. In this regard, we note that the entire expenses relating to patent registration and renewal costs of USD 1,605,790.12 which were previously capitalised by the Company had been expensed off in FY2015;

- (c) The Company was granted a non-exclusive use of the patents as stipulated under the 2015 Licensing Agreement signed with T-Data. Although to our understanding, T-Data has not granted any other party the rights to use the patents yet, T-Data has the right to do so at any time in the future. The ability to draw benefits from the patents will diminish greatly if T-Data grants the rights to other competitors. The non-exclusivity of the licensing arrangement further adds to the uncertainties on whether there would be sufficient future benefits that could be enjoyed by the Company for the costs it incurred and paid for the patents in the past which may be capitalised and amortised; and
  
- (d) The Company assumed that it is able to enjoy the economic benefits of the patents for 10 years. Given the speed of technological advances, it is uncertain if the assumption of 10 years would be reasonable, especially if applied on those costs incurred in the last few years. We note that the patent costs for FY2014 and FY2015 were approximately USD 200,000 per year.

If one were to take the Company's position with respect to the T-Data Patent Transactions where the Company had computed cost savings of USD 51,032.38 (instead of additional costs incurred of USD 624,239 as per our computation), then the T-Data IPTs on an overall basis would have resulted in costs savings and therefore additional profits earned by the Group of USD 253,075. If the patents were owned and registered under the Company's

name, it may well be proper to amortise the patent costs in accordance with an appropriate and reasonable amortisation policy for the patents.

- (v) with respect to the T-Data Rental Transaction in FY2015, there appears to be little or no financial impact as the rental charged by S-Com Singapore to T-Data does not appear to be below the prevailing market rate, taking into account the size and location of the shoplot.

### ***Qualification / Limitations***

54. We were unable to identify appropriate third party comparators for 70.6% in value of the overall T-Data Sale Transactions from FY2011 to FY2015. In particular, we were unable to conduct any analysis for 73.9% in value of the transactions entered into in FY2015 even after expanding our bases for identifying appropriate third party comparators to include transactions entered into in FY2014.<sup>3</sup>
55. As for the T-Data Purchase Transactions, we were unable to identify appropriate third party comparators for 37.3% in value of the overall T-Data Purchase Transactions from FY2012 to FY2014 (no transaction in FY2011 and FY2015). However, we note that the T-Data Purchase Transactions were not significant (0.2% to 1.0%) when compared to the total purchases made by the Group from FY2012 to FY2014.

### **Review of T-Data financial statements**

56. We have obtained T-Data's financial statements for the period from FY2008 to FY2014 from the Company and ACRA searches. We understand that the FY2015 financial statements are not ready as T-Data is in the midst of preparing the same.

---

<sup>3</sup> Of the USD 102,284,377 worth of T-Data Sale Transactions in FY2015, we were unable to identify appropriate third party comparators for USD 102,024,261 or 98.8% of the transactions. Out of the 98.8%, we note that 24.9% were in relation to the sale of certain wafer products. We have identified alternate appropriate third party comparators for the same wafer products, although such transactions occurred in FY2014. We had thus conducted our comparison of this 24.9% against these transactions. The remaining 73.9% (out of 98.8%) were in relation to transactions involving products which had never been sold to any third parties in FY2011 to FY2015. No appropriate third party comparators exist, whether in FY2015 or in previous years. We are now able to calculate the financial impact of 26.1% (1.2% plus 24.9% above) of the T-Data Sale Transactions in FY2015 based on the expanded definition.

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

Based on our review, the financial statements strongly suggest that T-Data's financial results were attributable to its transactions with the Group. The value of T-Data's total purchases recorded in T-Data's financial statements closely correlate to the value of the total sales to T-Data as recorded in the Group's books:

	<b>2011 (USD)</b>	<b>2012 (USD)</b>	<b>2013 (USD)</b>	<b>2014 (USD)</b>	<b>Total (USD)</b>
Sales from the Group to T-Data	3,751,415	6,118,554	11,918,545	56,077,294	77,865,807
Purchases recorded in T-Data's financial statements (in USD equivalent based on yearly average exchange rate)	3,060,041	5,963,162	11,934,167	56,075,979	77,033,349
Sales from the Group as a percentage of total purchases made by T-Data	122.6%	102.6%	99.9%	100.0%	101.1%

**Note:**

- (1) We note that for FY2011, FY2012 and FY2014, the value of T-Data purchases as recorded in T-Data's financial statements were less than the Group's Sales to T-Data as recorded in the Group's books. We are unable to ascertain the reason(s) for the discrepancies. Possible reasons include exchange rate differences as the Group kept its books in USD whereas T-Data in SGD, and erroneous recording of transactions. For FY2013, in addition to the possible reasons mentioned, the discrepancy could also be due to purchases made by T-Data from third parties other than the Group

57. In view of the high correlation, further analysis was carried out on the gross profits earned by T-Data. As a conservative approach, we have adjusted the gross profits reflected in T-Data's financial statements to take into account certain costs which the Group would otherwise be incurring to manage the additional business activities, as follows:
58. The total adjusted gross profits of T-Data for the four years from FY2011 to FY2014 shown above amounted to approximately USD 822,352. Given the very close matching of T-Data's purchases against the sales made by the Group to T-Data, we are of the view that the adjusted gross profits earned by T-Data from FY2011 to FY2014 are an approximation of the profits that could have been earned by the Group had the Group sold products directly to customers instead, and not through T-Data. We further note that the adjusted gross profit margin calculated above ranges from 0.3% to 1.1%, which was somewhat consistent with Henn's

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

representation that “T-Data’s profit margin was between 0.5% to 1% on the selling price when purchase products from the Company”. Henn also represented that T-Data’s profit margin “is significantly less than the market rate of 3% to 5%”.

59. The total adjusted gross profits of USD 822,352 above do not include those for FY2015 as no financial statements were available for our review. T-Data’s revenue for FY2015 is likely to be much higher given that the Group had made approximately USD 102.3 million sales to T-Data in FY2015. If the analysis for FY2015 were included, the total adjusted gross profits for the entire review period from FY2008 to FY2015 would be different.
60. When considered against the financial impact computed for the T-Data Transactions totaling USD 422,196, the difference could be due to the low percentage of transactions which we could make comparisons for the T-Data Sale Transactions (29.4%) and T-Data Purchase Transactions (27.4%). The adjusted gross profits of USD 822,352 for FY2011 to FY2014 above may be an indication that the remaining sales or purchases which we were unable to compare against the transactions with third parties, could be profitable to T-Data and as such, could have caused a reduction in profits earned by the Group.

S-Com HK

61. The directly ascertainable financial impact of each of the categories of S-Com HK IPTs are summarized below:

<b>Directly Ascertainable Financial Impact of the S-Com HK IPTs<sup>1</sup></b>	<b>2010 (USD)</b>	<b>2011 (USD)</b>	<b>2012 (USD)</b>	<b>Total (USD)</b>
S-Com HK Sale Transactions	(74,606)	5,327	382,134	312,856
S-Com HK Purchase Transactions	(25,881)	(69,717)	(402,367)	(497,964)
<b>Additional Profits Earned or Cost Savings / (Reduction in Profits Earned or Additional Cost Incurred)</b>	<b>(100,486)</b>	<b>(64,390)</b>	<b>(20,233)</b>	<b>(185,109)</b>
Group Gross Profit	10,851,097	11,205,031	9,243,777	
As a percentage of Group Gross Profit	-0.9%	-0.6%	-0.2%	

**Note:**

- (1) These figures are indicative only to the extent where we were able to identify appropriate third party transactions for the purpose of comparison and may not reflect the actual financial impact of the entirety of the S-Com HK Transactions.

62. Based on the above analysis, the directly ascertainable financial impact of the S-Com HK IPTs is as follows:-
- (i) as a result of the S-Com HK Sale Transactions in FY2010 to FY2012, the Group earned USD 312,856 more than it would have earned had the Group sold the same products to third parties. This figure is indicative only to the extent where appropriate third party transactions exist for our analysis and may not reflect the actual financial impact of the entirety of the S-Com HK Sale Transactions; and
  - (ii) as a result of the S-Com HK Purchase Transactions in FY2010 to FY2012, the Group had incurred USD 497,964 more in costs than it would have incurred had the Group purchased the same products from third parties. This figure is indicative only to the extent where appropriate third party transactions exist for our analysis and may not reflect the actual financial impact of the entirety of the S-Com HK Purchase Transactions.

***Qualification / Limitations***

63. We were unable to identify appropriate third party comparators for 5.4% in value of the overall S-Com HK Sale Transactions and 40.5% in value of the overall S-Com HK Purchase Transactions from FY2010 to FY2012. However, we note the transactions were not significant when compared to the Group's sales and purchases during the period whereby the S-Com HK Sale Transactions represented 2.1% to 2.5% of the total sales made by the Group while the S-Com HK Purchase Transactions represented 0.8% to 3.1% of the purchases made by the Group during the period.

**Review of S-Com HK financial statements**

64. We conducted an analysis to determine if S-Com HK's financial results were also attributable to its transactions with the Group, similar to the analysis done on T-Data's financial statements as highlighted above. We found the total sales made by the Group to S-Com HK made up only a portion of S-Com HK's purchases recorded in S-Com HK's financial statements, as follows:



**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

	2010 (USD)	2011 (USD)	2012 (USD)	2013 (USD)	2014 (USD)	2015 (USD)	Total (USD)
Sales from the Group to S-Com HK	2,172,297	1,697,111	1,736,243	37,313	20,563	995	5,664,522
Purchases recorded in S-Com HK's financial statements (in USD equivalent based on yearly average exchange rate)	2,641,463	4,289,242	10,700,974	3,823,096	1,250,697	1,091,098	23,796,570
Sales from the Group as a percentage of total purchases made by S-Com HK	82.2%	39.6%	16.2%	1.0%	1.6%	0.1%	23.8%

65. Based on the analysis above, it would appear that S-Com HK's business and financial results were not entirely dependent on its transactions / relationship with the Group given the low percentage of its purchases from the Group compared to its overall purchases, especially from FY 2011 onwards. As such, given the lack of further information, we are unable to comment on the profits / losses made by S-Com HK which could be attributed to its transactions with the Group.
66. Nevertheless, we provide below an extract of the financial results of S-Com HK for information purpose:

S-Com HK Financial Statements	FY2010 (USD equiv.)	FY2011 (USD equiv.)	FY2012 (USD equiv.)	FY2013 (USD equiv.)	FY2014 (USD equiv.)	FY2015 (USD equiv.)
Revenue	2,718,100	4,345,157	10,760,111	3,883,863	1,259,227	1,137,743
Cost of sales	(2,641,463)	(4,289,242)	(10,700,974)	(3,823,096)	(1,250,697)	(1,091,098)
<b>Gross Profit</b>	<b>76,637</b>	<b>55,915</b>	<b>59,137</b>	<b>60,767</b>	<b>8,530</b>	<b>46,645</b>
Other revenue	11	46	37	418	2,973	45,105
Expenses	(96,531)	(42,883)	(69,688)	(70,805)	(40,536)	(40,924)
<b>Profit before tax</b>	<b>(19,882)</b>	<b>13,078</b>	<b>(10,515)</b>	<b>(9,620)</b>	<b>(29,033)</b>	<b>50,826</b>
Income tax	(3,681)	(2,150)	48	23	23	23
<b>Profit after tax</b>	<b>(23,563)</b>	<b>10,928</b>	<b>(10,467)</b>	<b>(9,597)</b>	<b>(29,010)</b>	<b>50,849</b>

**F. Opinion on the IPTs**

T-Data Sale Transactions

67. To the extent that we were able to identify appropriate third party comparators for financial analysis, we are of the opinion that:-

**TREK 2000 INTERNATIONAL LTD**  
**INTERESTED PERSON TRANSACTIONS INQUIRY REPORT**

---

- (i) the T-Data Sale Transactions for the periods FY2011, FY2012 and FY2013 were prejudicial to the Company and its minority shareholders as the Group earned less from the FY2011, FY2012 and FY2013 T-Data Sale Transactions than it would have earned had the Group sold the same products to third parties; and
  - (ii) the T-Data Sale Transactions for the period FY2014 and FY2015 were not prejudicial to the Company and its minority shareholders as the Group earned more from the FY2014 and FY2015 T-Data Sale Transactions than it would have earned had the same products were sold to third parties.
68. We note that we were unable to identify appropriate third party comparators for 70.6% in value of the overall T-Data Sale Transactions from FY2011 to FY2015. In particular, we were unable to conduct any analysis for 73.9% (amounting to USD75,550,686) in value of the transactions entered into in FY2015 even after expanding our bases for identifying appropriate third party comparators to include transactions entered into in FY2014.<sup>4</sup>
69. We are also of the view that an extrapolation of the 29.4% in value of the T-Data Sale Transactions from FY2011 to FY2015 in order to compute the financial impact of 100% of the T-Data Sale Transactions from FY2011 to FY2015 would be inappropriate as it would not take into account (i) industry price fluctuations and (ii) the gross profit margin variations for different product codes, and as such, may not be a meaningful indication of the actual financial impact of the T-Data Sale Transactions from FY2011 to FY2015.

---

<sup>4</sup> Of the USD 102,284,377 worth of T-Data Sale Transactions in FY2015, we were unable to identify appropriate third party comparators for USD 102,024,261 or 98.8% of the transactions. Out of the 98.8%, we note that 24.9% were in relation to the sale of certain wafer products. We have identified alternate appropriate third party comparators for the same wafer products, although such transactions occurred in FY2014. We had thus conducted our comparison of this 24.9% against these transactions. The remaining 73.9% (out of 98.8%) were in relation to transactions involving products which had never been sold to any third parties in FY2011 to FY2015. No appropriate third party comparators exist, whether in FY2015 or in previous years. We are now able to calculate the financial impact of 26.1% (1.2% plus 24.9% above) of the T-Data Sale Transactions in FY2015 based on the expanded definition.

T-Data Purchase Transactions

70. The purchases from T-Data for FY2012 to FY2014 were not on the Group's normal commercial terms and we are of the opinion that the transactions were prejudicial to the interests of the Company and its minority shareholders.
71. However, the negative financial impact of the T-Data Purchase Transactions does not appear to be significant when compared against the Group's Gross Profit. When expressed as a percentage for the relevant year's Gross Profit, the financial impact of the T-Data purchase Transactions constituted between 0.0% - 0.5% for each FY.

T-Data IT Transactions

72. There were three IT-related transactions between T-Data and each of the following three subsidiaries: (i) Cloud Stringers; (ii) Trek Singapore; and (iii) S-Com Singapore.
73. We are of the opinion that with respect to the IT-related transaction with Cloud Stringers, the Group did not suffer any financial gain or loss as the product purchased from T-Data had been previously sold to T-Data by Trek Singapore at the same price. According to the Company, T-Data had provided certain value-added services with respect to the hardware/software of the product, before selling the product to Cloud Stringers. The transaction was not prejudicial to the Company or its minority shareholders from the perspective of an IPT analysis.
74. We are unable to opine on whether the transactions involving Trek Singapore and S-Com Singapore were prejudicial to the Company and its minority shareholders as no comparable third party services were available for our analysis. According to the Company, the Trek Singapore and S-Com Singapore transactions were highly specialized projects with unique customization features.

T-Data Patent Transactions

75. Based on our analysis, we are of the opinion that the T-Data Patent Transactions were not based on commercial terms and were prejudicial to the Company and its minority shareholders. We have not taken into account the non-pecuniary value

created for the Company (if any) as a result of the T-Data Patent Transactions, for example, the benefit the Company enjoyed as a result of being able to utilize the IP in a commercial manner permitted under the licensing agreement with T-Data.

76. Henn informed during the interview with TSMP on 6 May 2016 that he thought it would be beneficial for the Company if it paid for the patent registration and renewal fees instead of the standard licensing fee of 4% to 6% to T-Data, as he expected the patent fees to be only a fraction of the licensing fee. Indeed, had the Group achieved the initial target sales of 7 million, 15 million and 30 million units of FluCard products in 2011, 2012 and 2013, as projected in the management presentation pack dated 26 June 2008, then the T-Data Patent Transactions would have been beneficial and cost effective to the Company.

#### T-Data Rental Transactions

77. As there appears to be little or no financial impact arising from the T-Data Rental Transaction in FY2015, we are of the opinion that the T-Data Rental Transaction was based on commercial terms and not prejudicial to the Company or its minority shareholders.

#### S-Com HK Transactions

78. While we note that the S-Com HK Sale Transactions had resulted in a net gain to the Company, however, when assessed together with the S-Com HK Purchase Transactions, the overall S-Com HK IPTs resulted in a negative financial impact to the Group. As such, we are of the opinion that the S-Com HK IPTs for FY2010 to FY2012 were not based on the Group's normal commercial terms and were prejudicial to the Company and its minority shareholders. However, we also note that the net financial impact was not significant when compared against the Group's Gross Profits during the period.

#### Opinion on the IPTs

79. Overall, we are of the opinion that the IPTs were prejudicial to the Company and its minority shareholders from a purely pecuniary perspective. This is notwithstanding

the fact that in some FYs, 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 where the Company had computed cost savings of USD 51,032.38 (instead of additional costs incurred of USD 624,239 as per our computation), then the T-Data IPTs would have resulted in costs savings and therefore additional profits earned by the Group of USD 253,075 instead of our computation of a reduction in profits earned or additional costs incurred of USD 422,196. However, we disagree with the Company's analysis for the reasons as stated in **Paragraph 53** above.

80. Our calculation of the financial impact of the IPTs is indicative only to the extent that appropriate third party comparator transactions were identifiable (that is, third party transactions for identical product codes transacted within the same FY). With respect to the T-Data Transactions in FY2015, we were only initially able to compare 1.2% of the T-Data Sale Transactions for the year. We have conducted further analysis by widening the parameters of third party comparator transactions to include identical products transacted in the prior year, FY2014 and as a result we were able to calculate the financial impact on 26.1% of the T-Data Sale Transaction. We also note that we were unable to calculate the financial impact of T-Data IT Transactions involving (i) Trek Singapore and (ii) S-Com Singapore.

**G. Potential Breaches of Directors' Duties**

81. As directors of the Company, Henn, Poo and Singh may have potentially failed in their duties and responsibilities arising from common law, legislation and the Listing Manual. These include, but not limited to, the following:

- (i) Common law fiduciary duty to act in the best interests of the Company and the Group;

The ascertainable facts suggest that the transactions entered into with T-Data and S-Com HK were not commercially justifiable from the Group's point of view as the transactions had resulted in lower profits or additional costs incurred by the Group based on our computation of the financial impact of the transactions. Accordingly, Henn and Poo may be liable for a breach of their duties to act in

the Company's (and Group's) best interests in respect of the T-Data Transactions, and Henn with respect to the S-Com HK Transactions.

Further, we note that one of the clauses in a licensing agreement signed between the Company and T-Data in 2015 provides T-Data with a ground of termination if "*Henn's shareholding dips below 10% or if Henn ceases to be the Company's CEO or Chairman*". The effect of this is that Henn's position as CEO and Chairman has been more securely entrenched because even if the Company felt it was in its interests to remove him from those offices, it could not do so without also giving T-Data a basis to terminate the licensing agreement. Henn's position was that he had no knowledge of the said clause until Singh's first interview with TSMP and that Singh was the person who prepared the agreement and signed on behalf of the Company. Depending on whether Henn had caused Clause 9.3 to be inserted, Henn may have breached his duty to act in the Company's best interests. Likewise, Singh may be in breach for failing to act in the Company's best interests either intentionally or negligently, by including or agreeing to include the said clause.

The Company informed that the clause mentioned above was not included in licensing agreements with other third parties and was only found in the licensing agreement with T-Data. The materiality of the licensing agreement can be inferred from the sales generated by the Group using the patents governed under the licensing agreement with T-Data, which amounted to approximately USD5.35 million (representing 0.9% of the Group's total sales) between FY2010 and FY2015.

- (ii) Common law fiduciary duty to avoid placing themselves in a position of conflict of interest;

Loo had informed that she was not involved in any of T-Data's operations. If this was true, it must mean that there were shadow director(s) in control of T-Data's operations and given the circumstances, it would not be unreasonable for such shadow director(s) to be either Henn and/or Poo.

To the extent that Poo was a shadow director of T-Data during the period when Loo was the sole director of T-Data from 27 November 2007 to 8 March 2016, Poo may have placed himself in a position of conflict of interest in causing the

Group to enter into the T-Data Transactions. There is basis to suggest that Henn had placed himself in a position of conflict of interest in causing the Group to enter into the T-Data Transactions if he had been a shadow director of T-Data during the period when Loo was the sole director of T-Data from 27 November 2007 to 8 March 2016 and in causing the Group to enter into the S-Com HK Transactions while he was a director and shareholder of S-Com HK from 30 April 2008 to date.

- (iii) Common law fiduciary duty not to make a profit by reason of or in connection with their positions in the Company;

Based on our current understanding of the facts, Henn may have breached this duty (a) while he was the sole shareholder of S-Com HK from 30 April 2008 to 3 July 2015 during which the IPTs with S-Com HK from FY2010 to FY2012 resulted in gains to S-Com HK and indirectly to Henn as a shareholder, and (b) if Henn has a beneficial interest in T-Data and the IPTs with T-Data from FY2008 to date (assuming that T-Data remained an Interested Person subsequent to 26 March 2014) resulted in gains to T-Data which had / would have flowed to Henn by virtue of the beneficial interest. We note that Henn has denied that he has any beneficial interest in T-Data.

- (iv) Fiduciary duties under Sections 156(1)<sup>5</sup>, 157(1)<sup>6</sup>, 157(2)<sup>7</sup> of the Companies Act; and
- (v) The underlying principle for directors of an issuer to act in the interests of shareholders as a whole, particularly where a director or substantial

---

<sup>5</sup> Section 156(1) of the Companies Act requires every director or chief executive officer of a company who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the company to, as soon as is practicable after the relevant facts have come to his knowledge: (a) declare the nature of his interest at a meeting of the directors of the company; or (b) send a written notice to the company containing details on the nature, character and extent of his interest in the transaction or proposed transaction with the company.

<sup>6</sup> Section 157(1) of the Companies Act requires a director to, at all times, act honestly and use reasonable diligence in the discharge of the duties of his office.

<sup>7</sup> Section 157(2) of the Companies Act prohibits an officer or agent of a company from making improper use of his position as an officer or agent of the company or any information acquired by virtue of his position as an officer or agent of the company to gain, directly or indirectly, an advantage for himself or for any other person or to cause detriment to the company.

shareholder has a material interest in a transaction entered into by the issuer under Rule 103 (5) of the Listing Manual.

The Company should seek appropriate legal advice on the potential breaches of directors' duties highlighted above.

82. Henn and Poo may be liable to account for profits made by T-Data potentially at the expense of the Group and/or to compensate the Group for the losses suffered by the Group as a result of entering into the T-Data Transactions. Henn may be liable to account for profits made by S-Com HK and and/or compensate the Group for the losses suffered by the Group as a result of entering into the S-Com HK Transactions.
83. During the Maxwellisation Process, Henn's response was that *"it is trite that a company director is not in breach of his fiduciary duty to act in the best interests of the Company for making commercial decisions which on hindsight turned out to be poor, if at the time they were made, there was a reasonable chance that they would benefit the Company"* and that he did not consider the commercial decisions relating to the T-Data Transactions turned out to be poor. Henn added that *"even if the alleged reduction of the Company's profits ex post facto is true, it is not justifiable to look at this fact and arrive at the conclusion that the transactions with T-Data were thus not entered into in the Company's best interests with the benefit of hindsight. The transactions with S-Com HK were necessary because trade sensitivities dictated that the Company could not be seen to sell to competitors of their existing customers. Transactions with S-Com HK were also preferable to transactions with cottage industry retailers which posed a high credit risk to the Company"*. In addition, Henn also informed that he did not receive any profits or gains from either T-Data or S-Com HK. Similarly, Singh had responded that he had acted in the best interests of the Group and the Company and at the time that the decisions were made, there was reasonable commercial ground that those decisions would benefit the Group and the Company.

#### **H. Recommendations**

84. We have been asked to advise on further steps and/or recourse to be taken in relation to issue(s) arising from the IPT Inquiry.



85. Our recommendations to the Company are as follows:-

- (i) to implement policies setting out guidelines and review procedures in relation to the identification, valuation, approval and reporting of IPTs;
- (ii) to define standard procedures and guidelines for the declaration of directors' interests;
- (iii) to seek shareholders' approval for future IPTs, if relevant; and
- (iv) to seek general shareholders' mandate for recurrent IPTs, if relevant.