

**TREK 2000 INTERNATIONAL LTD**  
(the “**Company**”)  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 199905744N)

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**UPDATE ON REVIEW BY RSM CORPORATE ADVISORY PTE LTD**

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The board of directors (the “**Board**”) of Trek 2000 International Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to (a) the Company’s announcements dated 26 April 2016 in relation to the Report, (b) 25 May 2016 and 1 June 2016 relating to the CAD Investigations, (c) 8 June 2016 in relation to the appointment of RSM Corporate Advisory Pte Ltd (“**RSM**”) to conduct the IPT Inquiry as well as review any suspicious transactions in light of the Report and the CAD Investigations (“**Phase 2 Transactions**”), and (d) 18 July 2017 in relation to the report issued by RSM pursuant to the IPT Inquiry (the “**IPT Report**”) (the “**Announcements**”).

Unless stated otherwise, all definitions used herein shall have the same meanings as set out in the said announcements as well as the Executive Summary to the IPT Report which was attached to the 18 July 2017 announcement.

**I. Phase 2 Review**

As announced in the Company’s announcement dated 18 July 2017, RSM is currently reviewing the Phase 2 Transactions (the “**Phase 2 Review**”).

In view that most of the files and other documentation relating to the Phase 2 Review are kept with CAD, the process of completing the Phase 2 Review is likely to be lengthy. However, notwithstanding that RSM has not completed the Phase 2 Review, Ernst & Young LLP (“**EY**”) and RSM have to date identified certain transactions which should be further reviewed by RSM in the Phase 2 Review. Pending the completion of the Phase 2 Review, the Board would like to announce the scope of the Phase 2 Review as well as the Company’s preliminary quantification of the possible financial impact on the Company’s accounts of such transactions, where practicable and feasible (such quantification being subject to change after the completion of the Phase 2 Review by RSM) (the “**Preliminary Quantification**”), in order to give shareholders a perspective of the possible exposure faced by the Company.

The Preliminary Quantification, which is set out below, does not reflect any conclusive finding and shareholders should be cautioned against making any conclusion regarding the liabilities, whether criminal or otherwise, of the affected persons. The Preliminary Quantification has been computed based on the maximum possible exposure that such transactions could have on the Company assuming that they are proven in full.

**Shareholders and potential investors of the Company are advised that the Preliminary Quantification are for illustration purpose only in the worst case scenario and may or may not necessarily materialise upon the completion of the Phase 2 Review by RSM. The Preliminary Quantification may be subject to change after the completion of the Phase 2 Review by RSM.**

The matters to be covered by RSM in the Phase 2 Review are as follows:

1. ***Certain transactions involving sales of products by certain subsidiaries of the Company to T-Data Systems (S) Pte Ltd (“T-Data”) and S-Com Solutions (Hong Kong) Co. Limited (“S-Com HK”)***

RSM has informed the Company that it has undertaken a preliminary review of transactions involving the Group, T-Data and S-Com HK from FY2008 to FY2016, and that it has identified certain transactions involving (i) the Group and T-Data from FY2011 to FY2014 and (ii) the Group and S-Com HK from FY2008 to FY2014, where certain products were sold by subsidiaries of the Company to T-Data and S-Com HK respectively, which T-Data and S-Com HK then subsequently sold the same products back to other subsidiaries of the Company, with almost all of these products being sold back at a mark-up (the “**Identified Transactions**”), possibly due to certain value-added services provided by T-Data and S-Com HK.

The Board would like to emphasise that while the Identified Transactions had been identified by RSM based on the sales and purchases listings provided by the Company, RSM has not completed the further work required to vouch and verify the transactions or to seek clarification from the Company on the commercial reasons and nature of these transactions. Notwithstanding this, for the purpose of illustrating the maximum financial impact of the Identified Transactions, the Company has assumed that all the identified transactions were “round-tripping” transactions.

Assuming that neither T-Data nor S-Com HK were a party to these transactions i.e. if there were no value-added services provided by T-Data and S-Com HK and the transactions were conducted directly between the entities within the Group, certain adjustments and elimination would have taken place on consolidation of the intercompany transactions, which would give rise to a different impact on the financials of the Group. By comparing the effects of the Identified Transactions with and without T-Data and S-Com HK respectively, the Company performed a preliminary computation of the maximum financial impact of the Identified Transactions.

In total, the Identified Transactions with T-Data and S-Com HK may have caused the Group’s sales to be overstated by a total of USD 1,853,331 (which represents between 0.0005% and 1.14% of the revenue in each respective years from FY2008 to FY2014 except FY2009 as the Identified Transactions did not include any sales transaction in FY2009), other income to be understated by USD 400,000 (which represents 0.36% of the revenue in FY2014), costs of sales to be overstated by a total of USD 1,725,946 (which represents between 0.0003% and 0.87% of the costs of sales in each respective years from FY2009 to FY2014) and profits to be understated by a total of USD 272,615 (which represents between 0.01% and 5.57% of the gross profits in each respective years from FY2008 to FY2014) collectively for the period from FY2008 to FY2014. However, this quantification may be subject to change after the completion of the Phase 2 Review by RSM.

2. ***Transactions involving the supply of chips to Colite Technology Inc***

In FY2015, the Group entered into a sale of certain chips to Colite Technology Inc for the consideration of USD 3,200,000 (the “**Chip Transaction**”). Based on the

documents made available, which the Company's auditor, Ernst & Young LLP ("EY") was unable to verify, among others, whether the chips had been delivered to such counterparty, as well as the source of the partial payment of USD 2,650,000 paid to the Group. As a result, EY was unable to make an assessment of whether the Chip Transaction had occurred.

Due to the ongoing review by RSM, the accounting entries for the Chip Transaction which was initially recorded in the books, had been reversed from the Company's accounting records. Accordingly, the Chip Transaction has not been taken into account in the audited accounts for FY2015. The Company may make appropriate adjustments to account for the Chip Transaction in due course depending on the outcome of RSM's review.

### **3. *Transactions with certain computer manufacturing entities in China***

In FY2014, the Group entered into purchases of certain products from a computer manufacturer in Shenzhen ("**SZ-Co**") for a total consideration of USD 1,150,925. EY found that the address of SZ-Co printed on the two invoices from SZ-Co was not its actual address but rather the address of Trek Technology (HK) Co. Ltd., a subsidiary of the Company.

In light of the issues relating to the two invoices above, RSM will undertake a review of the transactions between the Group and SZ-Co, as well as transactions between the Group and two other companies which appear to be affiliates of SZ-Co (each an "**SZ-Co Affiliate**", collectively, the "**SZ-Co Affiliates**") to establish the veracity of the transactions. The Group had both sales and purchases transactions with the three entities between FY2008 and FY2014.

In total, the transactions with the SZ-Co and the SZ-Co Affiliates may have caused the Group's sales to be overstated by a total of USD 11,833,008 from FY2008 to FY2013 (which represents between 0.16% and 6.78% of the revenue in each respective years from FY2008 to FY2013) and costs of sales to be overstated by USD 2,475,292 in FY2012 and FY2014 (which represents 1.41% and 1.49% of the costs of sales in FY2012 and FY2014 respectively).

Shareholder may wish to note that the abovementioned quantification may be subject to change after the completion of the Phase 2 Review by RSM.

### **4. *Purchase and sale of certain embedded Secure Digital ("eSD") inventories, the existence of which EY was unable to trace***

From FY2013 to FY2016, the Group entered into various sales and purchases of certain eSD inventories with various parties (the "**eSD Transactions**"), which EY was unable to trace based on the documents available.

Based on RSM's preliminary review of the eSD Transactions and the documents available, RSM was unable to make an assessment of whether the eSD Transactions were genuine at this juncture, as it requires further analysis and investigation to fully understand the reasons for the discrepancies and documentation deficiencies.

In view of the foregoing, the Company has assumed that all of the transactions above were not genuine for the purpose of illustrating the maximum financial impact of the eSD Transactions. The maximum financial impact, assuming that all the eSD Transactions were not genuine, is that the eSD Transactions with T-Data may have caused the Group's

- (a) sales to be overstated by a total of USD 908,086 collectively for FY2013, FY2015 and FY2016 which represents 0.03% to 0.76% of the revenue in each respective year,
- (b) costs of sales to be overstated by a total of USD 1,082,720 collectively for FY2013, FY2015 and FY2016 which represents 0.03% to 0.87% of the costs of sales in each respective year,
- (c) profits to be understated by a total of USD 174,634 collectively for FY2013, FY2015 and FY2016 which represents 0.01% to 0.96% of the gross profits in each respective year,
- (d) assets to be overstated by USD 384,166 and liabilities to be overstated by USD 558,800, collectively for the period from FY2013 to FY2016.

However, this quantification may be subject to change after the completion of the Phase 2 Review by RSM.

**5. *Discrepancies on the documents and accounting errors relating to certain transactions with a business party***

EY has highlighted to the Company certain issues with respect to documentation discrepancies in the transactions between the Group and a Business Party (the "**Business Party Transactions**"):

Subsequent to EY's highlighting of the aforementioned issues to the Company, the AC had instructed the Company to undertake a review of the Business Party Transactions and make the necessary adjustments to its accounts. The financial impact of the issues highlighted by EY relating to the Business Party Transactions which took place in FY2013 to FY2016 had already been reflected in the Company's restated FY2013 and FY2014 accounts and the FY2015 and FY2016 audited accounts. RSM will be reviewing the adjustments made and determine the financial impact of the above, if any.

In addition, based on RSM's preliminary review of the available documents relating to the transactions with the Business Party for FY2011 and FY2012, RSM has found discrepancies with respect to the documents provided by the Business Party and the records of the Company. These discrepancies amounted to USD 191,325 and USD 166,404 for FY2011 and FY2012 respectively and no adjustments have been made to the Company's accounts as yet. These discrepancies represent 0.26% and 0.23% of the costs of sales in FY2011 and FY2012 respectively. As RSM has yet to complete its review, the financial impact above may be subject to change after the completion of the Phase 2 Review by RSM.

**6. *Matters relating to the ownership, registration and accounting of the FluCard patents***

As highlighted in the IPT Report, the Company has made payments of registration and renewal fees to various intellectual property registries for patents registered under T-Data, which formed part of the Group's IPTs with T-Data. These payments were initially capitalised by the Company and recorded in its books as intangible assets even though it did not own these patents.

After the issue was highlighted by EY, the Company had undertaken a review of its intangible assets and made the necessary adjustments to write off the capitalised payments to retained earnings. This has been reflected in the FY2015 audited accounts. RSM will be reviewing the adjustments made and determine the financial impact of the above, if any.

**7. *Transactions with an electronics company that designs and manufactures integrated circuits and system products***

The Company recently discovered that certain payments totalling US\$341,000 which were recorded as payments made to a supplier, an electronics company that designs and manufactures integrated circuits and system products, for research and development related products / services in FY2011, may not have been made to the supplier and would require further review by RSM. This matter was highlighted by EY to the Company arising from its review of the documents.

RSM will be reviewing all the transactions between the Group and that supplier.

**8. *Any other transactions requiring RSM's review.***

RSM will also perform additional review on any other transactions which may require its attention during the course of the Phase 2 Review.

**Shareholders should note that the Preliminary Quantification has been done on a best-efforts basis based on the information made available to the Company and is subject to the completion of the Phase 2 Review by RSM. The Preliminary Quantification above is based on the maximum possible exposure that the transactions could have on the Company assuming they are proven in full and is not based on conclusive findings. The eventual report issued by RSM pursuant to the Phase 2 Review may come to a different conclusion from the Preliminary Quantification, and the Company will make further announcements, as may be appropriate, when there are material developments on the above.**

In addition, the Company intends to resume the trading of the Company's shares with effect from 9.00 a.m. on 11 September 2017. In connection with this, the Board would like to announce that Mr Henn Tan, the chief executive officer and executive director of the Company, Mr Poo Teng Pin, a former executive director of the Company, and Mr Gurcharan Singh, former Chief Financial Officer of the Company, have respectively given undertakings dated 20 January 2017, 20 January 2017 and 11 May 2017 to the Company and the SGX-ST that they will observe a

moratorium on the trading of all their shares in the Company until after the full report by RSM on the Phase 2 Review is released to the Board and a summary of the same is published on SGXNet, such moratorium to continue to apply notwithstanding any resumption of trading from suspension which may be applied for and granted by the SGX-ST.

**II. Suitability of Mr Henn Tan (“Mr Tan”), chief executive officer of the Company to remain as an Executive Director of the Company**

The Nominating Committee (the “NC”), which comprised Mr Chay Yee Meng as Chairman and Mr Loh Yih and Dr Long Ming Fai Edwin as members (together with the Board), had carefully assessed Mr Tan’s suitability to remain on the Board in view of the alleged breaches of laws and/or Listing Manual as highlighted by RSM by Mr Tan in his capacity as director of the Company.

The NC (together with the Board) were of the view that Mr Tan is suitable to remain as a Director of the Company. In arriving at the conclusion, the NC (together with the Board) reviewed, the Letter of Representation (as defined below), the IPT Inquiry Report, the assessment of the NC of Mr Tan’s performance as Director, and took into account the following key considerations:

- (a) Mr Tan can be credited with transforming the Company into Singapore’s leading external storage solutions provider, with a portfolio of innovative and patented products and solutions of global intellectual property reach;
- (b) in spite of the ongoing matters, Mr Tan remained dedicated to the business of the Company for the benefit of the Company’s shareholders;
- (c) based on a letter of representation dated 19 July 2017 from Eversheds Harry Elias LLP (solicitors for Mr Tan) to the NC on Mr Tan’s suitability to remain as a director of the Company (the “**Letter of Representation**”), there was no intention on the part of Mr Tan to defraud any party in pursuing the IPTs with the Interested Persons and had intended to act in the best interest of the Company;
- (d) the Company and the minority shareholders will benefit from Mr Tan remaining as a director of the Company as he possesses the relevant experience to oversee the Company’s strategic growth and to manage the Company’s day-to-day operations. Losing the services of Mr Tan without suitable timely replacement may materially and adversely affect the Company’s business and which would be materially adverse to the minority shareholders;
- (e) at the last annual general meeting convened on 29 June 2017, Mr Tan received 110,137,096 votes (including 100,077,591 shares held directly by Mr Tan) representing 98.74% of the total number of votes cast on the resolution relating to his re-election. Even excluding the 100,077,591 shares held directly by Mr Tan, Mr Tan received 10,059,505 votes, representing 87.8% of the total number of votes cast by shareholders (excluding Mr Tan) who were present and voting on the same resolution. There appears to be strong shareholder endorsement on Mr Henn Tan’s performance in the Company; and

- (f) it is in the best interest of the Company and its minority shareholders that Mr Tan remains on the Board and continues to serve the Company as he is the largest shareholder of the company with a stake of 30.99%.

The NC and the Board are of the unanimous view that Mr Tan is suitable to remain as a Director of the Company unless there are other extenuating circumstances preventing him from doing so. The above assessment by the NC was in addition to an earlier assessment done in July 2017 by the previous NC prior to the reconstitution of the Board Committees of the Company on 7 August 2017. Both NCs had arrived at the same conclusion regarding the suitability of Mr Tan to remain as a director of the Company on the same bases.

The NC will be re-evaluating the suitability of Mr Tan to remain as a Director or on the management team of the Company having regard to the findings of the Phase 2 Review when it is completed.

**Shareholders and potential investors of the Company are advised to read this Announcement and any further update announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt about the actions they should take, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.**

**BY ORDER OF THE BOARD**

Trek 2000 International Ltd

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

8 September 2017