

TREK 2000 INTERNATIONAL LTD

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

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SGX-ST LISTING MANUAL - DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Board of Directors of Trek 2000 International Ltd (the “Company”) wishes to announce that the independent auditors of the Company, Messrs Moore Stephens LLP (the “Independent Auditors”), have issued a disclaimer of opinion in their Independent Auditors’ Report on the financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2017.

The Independent Auditors’ Report is reproduced below:

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Trek 2000 International Ltd (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

The financial statements for the year ended 31 December 2016 were audited by another auditor who expressed a disclaimer of opinion on those financial statements on the following matters:

- (i) carrying values of property, plant and equipment (“PPE”) and intangible assets;
- (ii) financial position and results of Racer Technology Pte Ltd (“Racer”) and its subsidiary company (collectively, “Racer Group”);
- (iii) ongoing reviews and investigations;
- (iv) tax provisions; and
- (v) opening balances.

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Basis for Disclaimer of Opinion (cont'd)

An update of the above matters are as follows:

(i) Carrying values of property, plant and equipment (“PPE”) and intangible assets

The previous year’s auditor was unable to determine whether the basis used by management to allocate the carrying values of PPE and intangible assets to their associated cash-generating units are appropriate; and was unable to assess the reasonableness of the assumptions used in establishing the recoverable amounts of the PPE and intangible assets as at the previous year ended 31 December 2016.

As disclosed in Note 14(f) to the financial statements, the Group disposed of PPE amounting to US\$8,126,868, in connection with the disposal of its subsidiary, Racer Group, during the current year ended 31 December 2017. In addition, the Group made an additional impairment of US\$276,668 (2016: US\$211,945) to write down its PPE to the recoverable amounts. As at 31 December 2017, the carrying value of the PPE was US\$1,539,881 (2016: US\$10,314,463).

As disclosed in Note 9 to the financial statements, during the current year ended 31 December 2017, the Group wrote off intangible assets amounting to US\$950,106 which were not recoverable. As at 31 December 2017, the carrying value of the intangible assets was US\$1,695,379 (2016: US\$3,565,621).

As the Group has disposed of/written off these PPE and intangible assets, this matter is considered resolved during the current year ended 31 December 2017.

(ii) Financial position and results of Racer Technology Pte Ltd (“Racer”) and its subsidiaries (collectively, “Racer Group”)

As disclosed in Note 14(f) to the financial statements, the Company disposed of Racer Group during the current year ended 31 December 2017, resulting in a net loss on disposal of US\$1,302,892 in the consolidated statement of comprehensive income.

The previous year’s auditor was unable to perform the necessary procedures to satisfy themselves as to whether the financial statements of Racer Group are in form and content appropriate and proper for inclusion and disclosure in the financial statements for the previous year ended 31 December 2016. We were similarly unable to perform the necessary procedures, including the period from 1 January 2017 to the date of disposal on 13 March 2017. Accordingly, we were unable to ascertain the accuracy of the recorded net loss on disposal during the current year ended 31 December 2017.

(iii) Ongoing reviews and investigations

As disclosed in Note 2.27 to the financial statements, the Company has appointed an external professional firm to conduct an independent review into the inconsistencies in accounting records and certain past transactions of the Group. The Company also announced that the Commercial Affairs Department of the Singapore Police Force (“CAD”) is conducting its investigations into the affairs of the Company. As at the date of this report, the review by the external professional firm and the CAD investigations are ongoing.

Consequently, we were unable to ascertain the extent of the adjustments and/or additional disclosures, if any, that may arise from the ongoing reviews and investigations, on the financial statements for the current year ended 31 December 2017 and preceding years.

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Basis for Disclaimer of Opinion (cont'd)

(iv) Tax provisions

As disclosed in Note 10 to the financial statements, the Group recorded income tax expense of US\$1,216,537 for the year ended 31 December 2017. The income tax payable and deferred tax liabilities recognised by the Group as at 31 December 2017 were US\$1,952,197 and US\$42,293 respectively.

We were unable to ascertain whether there are any tax implications arising from the ongoing reviews and investigations described in the preceding paragraphs. Consequently, we are unable to determine whether any adjustments to the recorded income tax expense, income tax payable and deferred tax liabilities for the current year ended 31 December 2017 are required.

(v) Opening balances

In view of the matters described in the preceding paragraphs, we were unable to determine whether any adjustments are necessary in respect of the financial statements for the previous year ended 31 December 2016.

Our opinion on the current year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

Other Matter

The financial statements of the Group and of the Company for the year ended 31 December 2016 were audited by another firm of auditors who expressed a disclaimer of opinion on those financial statements on 29 May 2017.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Neo Keng Jin.

BY ORDER OF THE BOARD

Mr Tan Henry @ Henn Tan
Chairman, Chief Executive Officer and Executive Director

27 March 2018