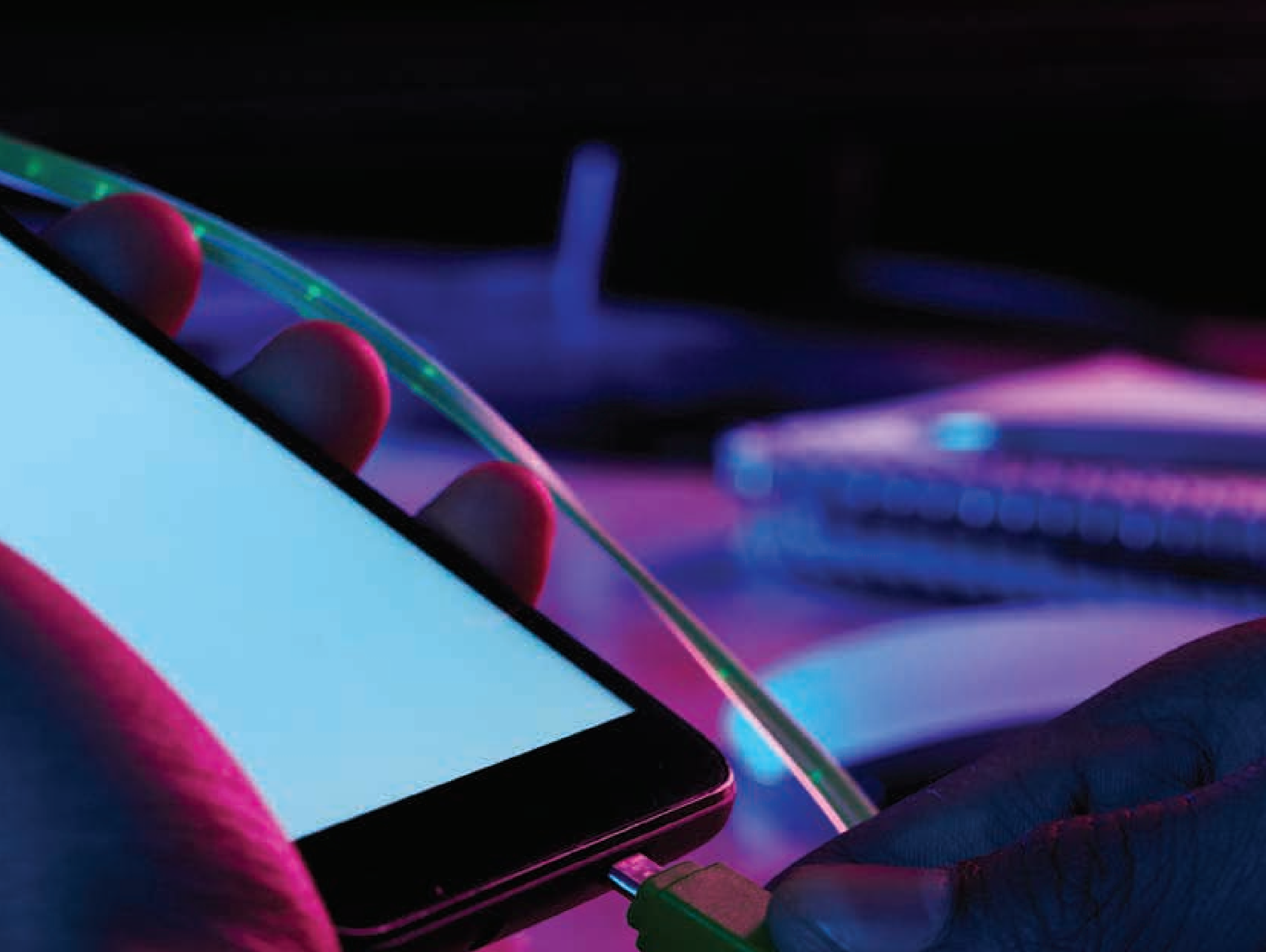
Annual Report 2019

INNOVATION: INSIDE OUT

# CONNECTING PEOPLE THROUGH SMART INNOVATIONS



# CONTENTS

**Trek 2000 International Ltd ("Trek") is a global industry innovator, patent owner and inventor of the revolutionary ThumbDrive USB flash drive. Our vision and mission are to be a leading solutions provider for the Internet-of-Things ("IoT") ecosystem.**

Listed on the Singapore Stock Exchange (SGX:5AB) in 2000, we offer state-of-the-art design solutions ranging from Interactive Consumer Solutions, Wireless, Antipiracy, Compression and Encryption to sophisticated Enterprise Solutions. As a design solutions provider, Trek operates under an asset-light business models, supported by a portfolio of patents granted across the world. We have offices in the U.S., the Netherlands, China, Japan, India, Vietnam, Thailand, Hong Kong, Malaysia, Indonesia and Singapore in order to serve the rapidly growing digital market.

Trek was named by Forbes Global as one of the Best Small Companies in the World in 2000 and 2002. We were also ranked as the Best Managed Small Company in Singapore by AsiaMoney (of Euromoney). Trek also received the INVENT Singapore Award 2000, the ASEAN Business Award for Innovation in 2011, Asia-Pacific Enterprise Leadership Awards for Spirit of Innovation Award in 2013, and SD Association Leadership Award in 2014. We were also conferred the One Asia – Avant-Garde Award and International Management Action Award in 2015.

Upholding our tagline. "Innovation: Inside Out", Trek's core differentiation lies in its R&D expertise. Supported by a team of visionary leaders, we strive to innovate relentlessly and change peoples' lives for the better.

# GROUP PRESIDENT'S MESSAGE

*Dear Shareholders,*

On behalf of the Board of Directors of Trek 2000 International Ltd ("Trek" or "the Group"), I am deeply honoured to present our annual report for the financial year ended 31 December 2019 ("FY2019").

## Navigating a Challenging FY2019

The weak global economic sentiment, along with an uncertain business landscape amid the US-China trade war presented challenges to our operations in FY2019. Furthermore, we were impacted by price pressure owing to the unfavourable and unpredictable market conditions during the year. These factors weighed on our financial performance during the year.

Despite the challenges, we managed to narrow the Group's losses through our fiscal prudence and discipline over the year from a loss of US$3.7 million in FY2018 to a net loss of US$1.4 million in FY2019.

## A New Decade of Challenges with New Management

Over the last two years, the new management team has coped well with the transition and restructuring process. Our next goal is to harness the waves of 5G technology into the next era.

Amidst the challenging business environment, the management team is cautiously optimistic with long term objectives embedded in our corporate plan.

## A Culture of Relentless Innovation

To stay ahead of the technological curve and staying relevant in this dynamic business landscape, Trek will continue to actively invest in R&D initiatives and innovations to come up with new solutions. Embracing change has allowed us to ensure business sustainability into the next lap.

Despite the current global uncertainties such as Covid-19 and depressed oil prices at the onset of FY2020, we are well-positioned to launch two new patented solutions on digital storage/media towards the second half of the year.

Backed by the potential of these new innovative solutions, we are optimistic and confident in ensuring long-term success in the IoT market. Concurrently, we will be boosting our marketing initiatives in key target markets to accelerate the sales of our latest products. Furthermore, our asset-light business model will enhance our strategy to grow. It has allowed us to stay nimble and mitigate our risks.

## A Resilient Financial Position to Fuel Future Growth

I would like to express my appreciation to the management for their relentless efforts to improve our financial systems and get an unqualified opinion for FY2019.

To fuel future growth and navigate potential business headwinds, we remain in a healthy financial position to weather severe market conditions and ensure our long-term business sustainability. In FY2019, our financial position remains resilient supported by cash and cash equivalents of US$16.7 million and quoted investments in current and non-current assets of US$24.2 million as shown in our balance sheet.

The strong balance sheet and healthy financial position is a result of our financial prudence. It allows us to pursue our future growth without much difficulty and ensure long-term sustainability. To safeguard our shareholders' interest, we will continue to remain prudent and exercise cost management in our pursuit of growth & expansion in the regional market.

To further strengthen our financial position, we have chosen to exercise fiscal prudence by writing off significant parts of our development costs in our books even though we are in the final stages of development for these products. By doing so, it will enable us to manage our financial position better once these revolutionary solutions are launched in the market.

In 2020, we will further strengthen our human capital as we position ourselves for a new decade of challenges. We will continue to recruit and groom talent to support our ambitious journey ahead.

## Challenging Outlook as a Result of COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 outbreak to be a global pandemic. The rapid spread of the virus has caused major disruptions to worldwide supply chains, dampened economic sentiment and led to several countries declaring national emergencies while closing their borders to contain the outbreak.

The semiconductor industry, which the Group is in, has also been adversely affected. We foresee that due to the widespread economic and social damages caused by the pandemic in the global economy, coupled with the extended Circuit Breaker measures adopted in Singapore and our markets in the region, it is uncertain as to when the global economy will recover and global supply chain will stabilize.

As a result, the Group foresees the industry to remain challenging in the next 12 months. In this challenging period, we will be selective in exercising priority on projects and continue to exercise prudence in our financial management.

## Appreciation

On behalf of the Board of Directors, I would like to extend our heartfelt appreciation to our shareholders who continue to support us in our vision for the company. I would also like to extend my sincere gratitude to all our business associates, customers and shareholders who have stood by us through thick and thin. We look forward to your continued support as we seek to chart our growth into the future.

**Wayne Tan**
Group President & Executive Director
Trek 2000 International Ltd

# INTELLECTUAL **PROPERTY**

The strength of our R&D remains an integral component for future growth and sustainability.

## OUR IP REACH

- Australia
- Brazil
- Brunei
- Canada
- China
- Eurasia
- Europe
- Germany
- Hong Kong
- India
- Indonesia
- Israel
- Japan
- Malaysia
- New Zealand
- Philippines
- Saudi Arabia
- Singapore
- South Africa
- South Korea
- Taiwan
- Thailand
- UAE
- United Kingdom
- USA
- Vietnam

## OUR PATENTED CORE TECHNOLOGY SOLUTIONS

Wireless

USB

Anti-piracy

Security/Encryption

Centralised Management System (CMS)

Portable Storage Solutions encompassing Flash Memory

PC and Mobile Apps

# TREK 2000's MedTech Architecture

Trek is in a transformative era as we seek to penetrate the IoT segment, in particular Medtech. By embedding devices with proprietary software and sensors, we aim to leverage on our Smart Gateway and Cloud platforms to seamlessly collect and exchange data.

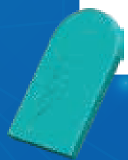
## MedTech Cloud

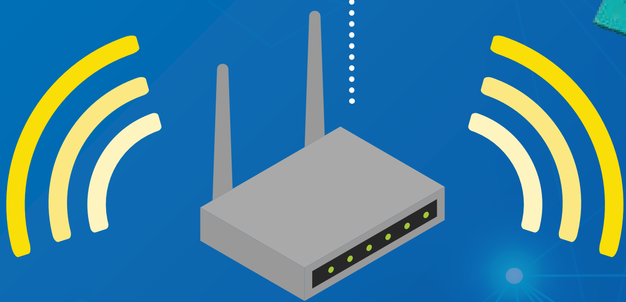
- Vital Signal Data Storage
- Vital Signal Data Analytic
- Vital Signal Data manage console

### Patient Alert System (PAS)

- Real-time tracking of patient activity

- Smart sensor for diapers
- Humidity Detection
- Temperature Detection





### Wireless Sensing

- Wireless sensor for 24x7 sample ECG data
- Heart rate
- HRV
- Respiration rate
- Fall down detection

### Fitness Wrist Band Monitoring

- Heart Rate
- SpO2
- Body Temperature
- Activity
- Fall down detection

## Smart Getaway

- Personal Vital Signal Storage
- Personal Vital Signal Collection
- Personal Vital Signal Tracking
- Personal Vital Signal Analytic
- Tracking Vital Signal in anywhere and any time

### Smart Toy with built-in camera

- Real time tracking of user activity
- In - built self-motion-sensing ability

# TREK'S PATENTED SOLUTIONS


Patient Alert System


Flucard®


Flucard® Ultra

Ai-Ball


Smart Gateway

Smart Sensor for diapers

## 1. WIRELESS SOLUTIONS

**a. Patient Alert System**
Targeted at patients with dementia, this wearable device comes with in-built sensors and is attached to the base of a patient's foot. When the device comes into contact with the floor, it will set off an alert via bluetooth to nearby attending medical staff.

**b. Flucard®**
Flucard® is a revolutionary SD card that enables the seamless connection and transfer of digital content between electronic devices. The versatility of the Flucard® has led to the development of an ecosystem encompassing endless possibilities within the IoT segment.

**c. Flucard® Ultra**
Flucard® Ultra is a faster, more advanced version of its original. It allows the wireless sharing of photos and videos as well as upload to the Flucard® portal or server of choice for instantaneous backup.

**d. Ai-Ball**
Ai-Ball is the world's smallest portable videocamera. The device boasts high quality 2-megapixel video with Wi-Fi streaming of up to 20 metres.

**e. Smart Gateway**
Trek Smart Gateway is a platform that supports the multiple usage of applications for both clinical and home monitoring in the healthcare domain. The system connects seamlessly to Trek's Cloud which then collects a client's personal information and analyses the data. The Smart Gateway coordinates all wireless protocol to Internet or Local Networks for the sharing of resources.

**f. Smart Sensor for diapers**
Inadequate detection of wet diapers is the most common cause of a baby's diaper rash. Trek's Smart Sensor for diaper is a re-usable IoT device attached to a diaper to detect its humidity and temperature. When a diaper gets wet, the device will immediately notify the parent or care-giver.

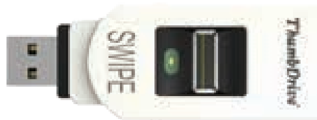
Trek's Smart Meter


Trek's iSSD

Trek's MSSD

ThumbDrive® Swan


ThumbDrive® Crypto




ThumbDrive® Swipe

## 2. THUMBDRIVE® SOLUTIONS

**a. Trek's Smart Meter**
Trek's Smart Meter is a meter system used by Energy companies and installed at the site of the power plants. The device allows customers of the company to access their meters through WIFI and read live information of their utility usage and perform other functions on the meter through remote access.

**b. Trek's MSSD**
Trek's MSSD (Micro Solid State Device) is a portable data storage device that allows for super high speed transmission of files. The device comes with zinc alloy case that better protects the data.

**c. Trek's iSSD**
Trek'siSSD (i Solid State Device) is a "wire-free" all-in-one wireless portable storage and Powerbank. Users of the device are able to transfer files and play movies wirelessly. It can also be used as a server for office and home with wireless access by users. The device also acts as a Powerbank to charge itself and other mobile devices wirelessly.

**d. ThumbDrive®**
The patented ThumbDrive® is a thumb-sized external portable data storage device that utilises flash memory technologies to store digital data.

**e. ThumbDrive® Cloud**
ThumbDrive® Cloud is fully integrated with Cloudstringers and provides a platform for users to tore, view, share, exchange and transact their digital content.

**f. ThumbDrive® Crypto**
ThumbDrive® Crypto ensures the encryption of all storage with the utilisation of a built-in hardware encryption system. The Advanced Encryption Standard (AES) is the regulatory standard approved by the U.S. Government.

**g. ThumbDrive® Swipe**
The ThumbDrive® Swipe is equipped with state-ofthe-art finger authentication sensor technology to personalise the protection of information on the device.

**h. STRIKES**
STRIKES, short for "Secure TRansaction, Identity, Key, Encryption & Storage", is a flash drive with an integrated smart chip for the purpose of secondary authentication for online transactions.

**i. ThumbDrive® SWAN**
ThumbDrive® SWAN (or TD SWAN) drive has the unique Single-Write Access-Numerous (SWAN) feature on the USB flash drive. Files could only be written once to the drive and will stay intact and pristine. It is well suited for secure storage and archives of important data files.

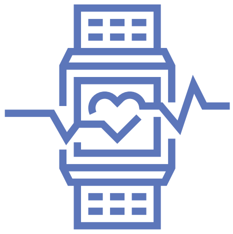
**j. CHEZ Solution**
CHEZ Solution allows enterprises to protect crucial information by preventing access to all unauthorised mobile storages devices. CHEZ Solution is widely recognised by government agencies and companies as a top-notch security solution for the digital age.

# PILLARS OF INNOVATION

The world is experiencing the beginning of an IoT Revolution, where the proliferation of connected devices is expected to transform the way we work, live and interact.

Our core principle, "Innovation: Inside Out", demonstrates our mission to continuously invent products and solutions for the benefit of mankind. Supported by our track record of successfully developing disruptive technologies, our focus lies on developing new innovations within three main segments.

- **Medical Technology ("Medtech")**



- **Wearable Technology**

- **Cloud Technology**

# FINANCIAL REVIEW

For the full year ended 31 December 2019 ("FY2019"), the Group reported a 16.7% year-on-year ("yoy") decrease in revenue to US$25.0 million. The decrease in our revenue was mainly due to the weak economic situation in the global market in 2019. Gross profit decreased by 40.4% yoy to US$663,828, while gross profit margin decreased from 3.7% to 2.7%. The lower profit margin was a result of price pressure from the unfavourable market conditions.

The Group reported a net loss attributable to Owners of the Company amounting to US$1.4 million in FY2019 as compared to US$3.7 million in FY2018. This resulted in a basic loss per share of US cents 0.42 in FY2019 as compared to US cents 1.14 in FY2018.

The Group's performance is attributable to the following factors:

**Revenue**
The decrease in revenue of 16.7% to US$25.0 million was mainly due to the weak economic situation in the global market in 2019.

**Profitability**
Gross profit decreased by 40.4% to US$663,828 in FY2019. Gross profit margin decreased from 3.7% in FY2018 to 2.7% yoy in FY2019. The lower profit margin in FY2019 was mainly attributed to the price pressure from the market in view of the unfavourable market conditions, as mentioned above.

**Other Items of Income**
- Interest income decreased by 11.7% yoy to US$997,093 in FY2019 mainly due to the decrease in fixed deposit balance as part of the fixed deposit fund was used to invest in quoted and unquoted investments in FY2019.

- Other income increased from US$91,200 in FY2018 to US$1.2 million in FY2019 mainly due to the gain on disposal of quoted investments and increase in fair value of quoted investments.

**Expenses**
The Group's total expenses amounted to US$4.1 million in FY2019 (FY2018: US$5.5 million) representing a decrease of 24.3% yoy. The factors contributing to the changes were as follow:

- Research and development ("R&D") expenses reported an increase of 8.6% yoy to US$1.4 million in FY2019 (FY2018: US$1.3 million). The increase was mainly due to the write-off of development costs.

- Marketing and distribution expenses increased by 14.8% yoy to US$1.5 million in FY2019 (FY2018: US$1.3 million). This was mainly due to increased in marketing activities in FY2019.

- General administrative expenses decreased from US$2.0 million in FY2018 to US$1.2 million in FY2019 mainly due to lower professional and staff-related cost in FY2019.

- Other expenses were nil in FY2019 (FY2018: US$830,437) as there were no foreign exchange loss and no loss in fair value of quoted investments in FY2019.

- Finance expenses were US$9,707 in FY2019 (FY2018: Nil) and this was the recognition of lease interest on lease commitments in FY2019, as required under the new accounting standard for leases, SFRS(I)16.

**Net profit after tax attributable to owners of the Company**
The Group reported a net loss attributable to owners of the Company of US$1.4 million in FY2019 (FY2018: US$3.7 million). Earnings per share were a negative US cents 0.42 in FY2019 as compared to 1.14 in FY2018.

**Balance Sheet**
The key highlights of the Balance Sheet are as follows:

- **Property, plant and equipment** – The decrease in the Group's property, plant and equipment from US$1.3 million in FY2018 to US$1.2 million in FY2019 was mainly due to depreciation on plant & machinery amounting to US$167,508. Plant and equipment amounting to US$124,284 were purchased and motor vehicles with a book value of US$31,505 were disposed during the year.

- **Intangible assets** – The decrease in intangible assets from US$1.4 million in FY2018 to US$633,244 in FY2019 was mainly due to write-off of development costs and amortisation expenses. During the year, development costs written off amounted to US$919,981 and amortisation expenses amounted to US$36,586. This was partly offset by capitalization of patent and trademark registration expenses amounting to US$222,832 incurred during the year. The Group continues to invest in research and development on the latest technology in the market.

- **Right-of-use assets** – The assets of US$254,273 comprised of lease commitments entered into by the Group as required to be recognized for the adoption of SFRS(I)16 and assets on hire purchase. The leased assets were recognized only in FY2019 as required under the accounting standards. Total assets recognized was US$402,279 and this was offset by depreciation amounting to US$148,006 during the year.

- **Quoted investments** – The Group's investment in quoted investment in non-current asset decreased by US$2.7 million to US$7.9 million as at 31 December 2019 (31 December 2018: US$10.6 million). This decrease was mainly due to the switch of investments from bonds to quoted funds that were held for trading and categorized in current assets. The total investments in quoted funds held for trading in current assets amounted to US$16.3 million in FY2019 (31 December 2018: US$5.8 million).

  Total quoted investments in current and non-current as at 31 December 2019 amounted to US$24.2 million, which was an increase of US$7.8 million from 31 December 2018 (US$16.4 million). This increase was mainly due to additional quoted investments of US$6.4 million and capital gain on these investments amounting to US$1.4 million in FY2019.

- **Unquoted investments** – The Group investment in unquoted investments amounted to US$1.3 million in non-current assets in FY2019 (FY2018: Nil) and US$629,139 in current assets in FY2019 (FY2018: US$617,546). There was a fair value loss adjustment of US$2.7 million for the unquoted investments in non-current assets in December 2019, down from the investment cost of US$4.0 million. This adjustment was a result of an independent valuation conducted by an independent professional firm as part of the year end auditing requirements. The valuation was conducted on a conservative basis during the COVID-19 pandemic period and was due mainly to the negative investment sentiment in the global market leading to the COVID-19 pandemic during this period. The investment of US$629,139 in current assets was for an unquoted fund that was held for trading and this was an increase in valuation of US$11,593 in FY2019.

- **Inventories** – The Group's inventories amounted to US$4.0 million as at 31 December 2019, an increase of US$602,557 from US$3.4 million in 31 December 2018. Inventory turnover days in FY2019 were 44 days (FY2018: 57 days).

- **Trade and other receivables** – The Group's trade and other debtors amounted to US$1.2 million as at 31 December 2019 as compared to US$674,759 as at 31 December 2018. The increase was due to the increase in credit sales for new projects and customers. Trade receivable turnover days were 11 days in FY2019 (FY2018: 11 days).

- **Trade payables and accruals** – The Group's trade payables amounted to US$4.5 million as at 31 December 2019 as compared to US$25,366 as at 31 December 2018. This increase was mainly due to the credit terms provided by a major supplier for the Group's purchases.

**Cashflow**
The Group's cash and cash equivalent as at 31 December 2019 amounted to US$16.7 million as compared to US$25.7 million as at 31 December 2018, a decrease of US$9.0 million.

The main decrease in the cash position in FY2019 was mainly due to the cash outflow from investing activities of US$10.3 million (mainly in quoted & unquoted investments), repayment to minority shareholders of a subsidiary for reduction in share capital (US$484,759), purchase of Company's treasury shares under share buyback mandate (US$184,664) and payment of lease liability (US$148,574). This was partly offset by cash inflow from operating activities of US$2.1 million.

The cash inflow in operating activities of US$2.1 million in FY2019 arose mainly from the cash inflow from working capital of US$3.7 million, corporate tax refund of US$661,842 and interest income of US$433,596. This was partly offset by the cash outflow from operations of US$2.7 million.

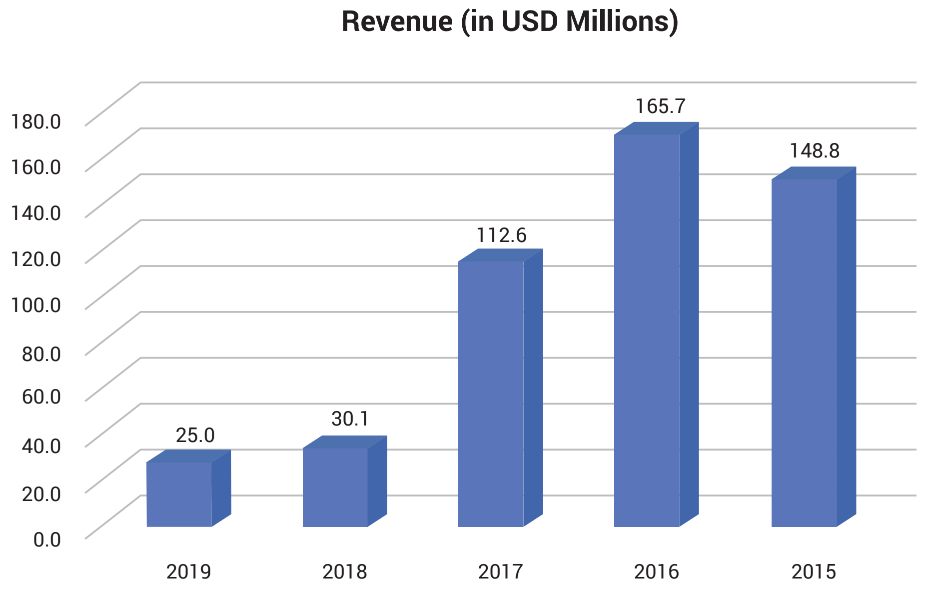
**Segmental Analysis – by Business Segments**
The Group's Interactive Consumer Solutions ("ICS") division continued to be the key revenue generator accounting for 91.5% of its revenue. The Group's ICS solutions/products comprise Thumbdrive®, Flucard®, Security Solutions and WiFi Memory Modules for embedded devices, which continue to dominate as the main engine of growth for the ICS business segment.

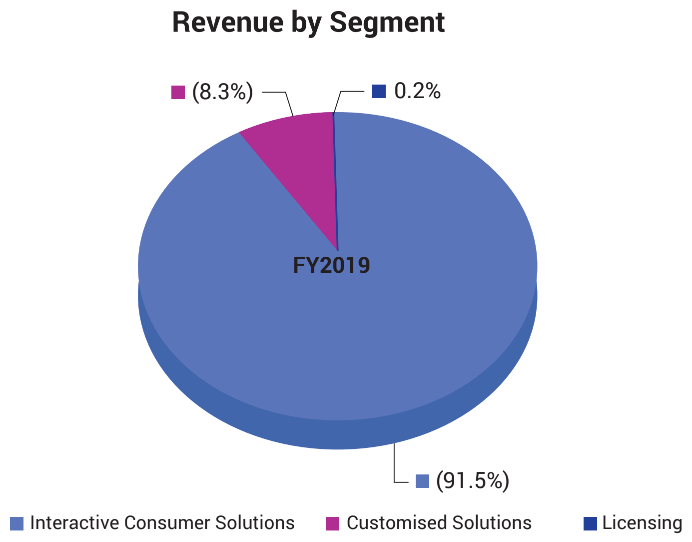
The Customised Solutions ("CS") division contributed to 8.3% of the revenue. The lower contribution from CS segment was mainly due to the Group's ongoing strategy to allocate its resources to the ICS segment, which is the Group's key growth segment.

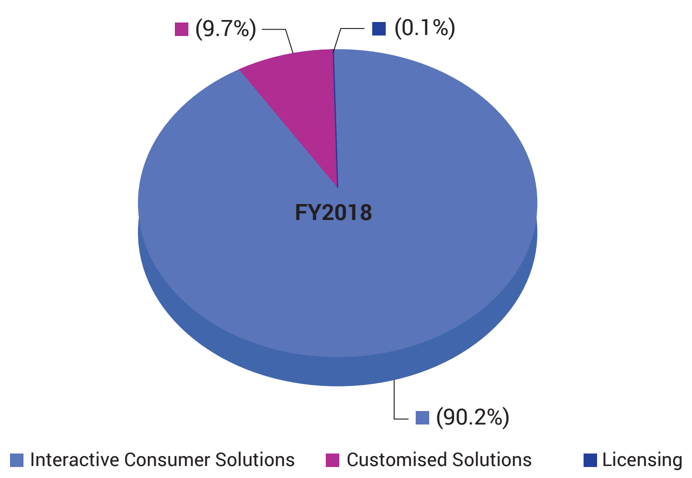
**Segmental Analysis – by Geography**
In FY2019, the Group focused on key markets like China/Hong Kong and Taiwan. India, Singapore, Indonesia and Malaysia continued to be our secondary markets as we generate profit in these markets.

China/Hong Kong accounted for 55.1% of the total revenue, followed by Taiwan (25.3%), India (7.4%), Singapore (4.8%), Indonesia (3.8%) and Malaysia (2.5%).

# FINANCIAL REVIEW



# BOARD OF DIRECTORS PROFILES

1

## MR. KHOR PENG SOON
*Non-Executive Chairman and Non-Independent Director*

Mr. Khor is the Non-Executive Chairman of the Company, appointed since 25 May 2018. He is also appointed the Chairman of the Remuneration Committee and Investment Committee. Mr. Khor joined the Board in 2013.

Mr. Khor is also the Chairman of ONI Global Pte. Ltd. In this capacity, he provides strategic oversight over the company's franchised GNC retail business in Singapore, Malaysia, Philippines and Taiwan, and investments in the nutrition, wellness products and services sectors. He is also the Managing Director of JP Ying Advisory. He sits on the boards of several other private companies in Singapore and the region.

Mr. Khor previously held senior management positions in Temasek Holdings, SembCorp, Ernst & Young LLP and the Economic Development Board. He holds a Master of Engineering Science (Industrial Engineering) degree from the University of New South Wales, Australia.

2

## MR. CHAY YEE MENG
*Independent, Non-Executive Director*

Mr. Chay Yee Meng re-joined the Board in 2016 and was appointed as Independent Non-Executive Director. He is the Chairman of the Audit Committee, Nominating Committee and Risk Review Committee.

Mr. Chay is also the Chairman of Autoscan Technology Pte Ltd. Mr. Chay was formerly a Board member of the National Kidney Foundation on 29 Nov 2012, but stays on as a member of the National Kidney Foundation Finance Committee. Currently, he is also a member of Singhealth Fund Ltd Finance Committee.

Mr. Chay has more than 20 years' experience in the Electronic industry and was a founding Board member of ECS Holding Ltd, sitting on its Audit Committee from 2002 to 2007. He was also a founding Director and Chief Financial Officer of Natsteel Electronics Ltd from 1993 to 2000, and subsequently as Head of Finance of Solectron Technology Asia Pacific Region from 2001 to 2002.

Mr. Chay graduated with a Bachelor of Accountancy degree from Nanyang University and is a FCA with the Institute of Singapore Chartered Accountants.

3

## MR. KWEK SWEE HENG
*Independent, Non-Executive Director*

Mr. Kwek Swee Heng was appointed as Independent Non-Executive Director on 24 May 2018.

Mr. Kwek is currently the Advisor of CapOne Financial Singapore and McPeekay Investments Pte Ltd, and a Reverse Solicitation Finder of Union Barcaire Privee (UBP). In his current role, he is actively involved in business development, deals origination and, merger and acquisition. Mr. Kwek started his career with DBS Bank before joining the stock broking industry and rising to the position of Dealing Director.

Mr. Kwek holds a Bachelor of Science in Business and Management degree from University of Bradford and an Honorary Master of Business Administration degree, University of Hawaii.

4

## MR. TAN JOON YONG, WAYNE
*Group President and Executive Director*

Mr. Wayne Tan is the Group President and Executive Director of the Company. He is appointed to the board on 24 May 2018.

Mr. Tan is responsible for leading management in building and developing the Group's operations, and strengthening the management structure. In his previous role, he was the director, shareholder and founder of Cloud Stringers (S) Pte Ltd, a subsidiary of the Company, and was responsible for the overall marketing and sales, planning and strategy of the

# BOARD OF DIRECTORS PROFILES

subsidiary. This included developing online/web-based products and strategic partnership for the business.

Mr. Tan holds a Bachelor of Marketing & International Business degree from The University at Buffalo, State University of New York.

## 5 MR. KUAN MUN KWONG

*President of Strategic Business and Executive Director*

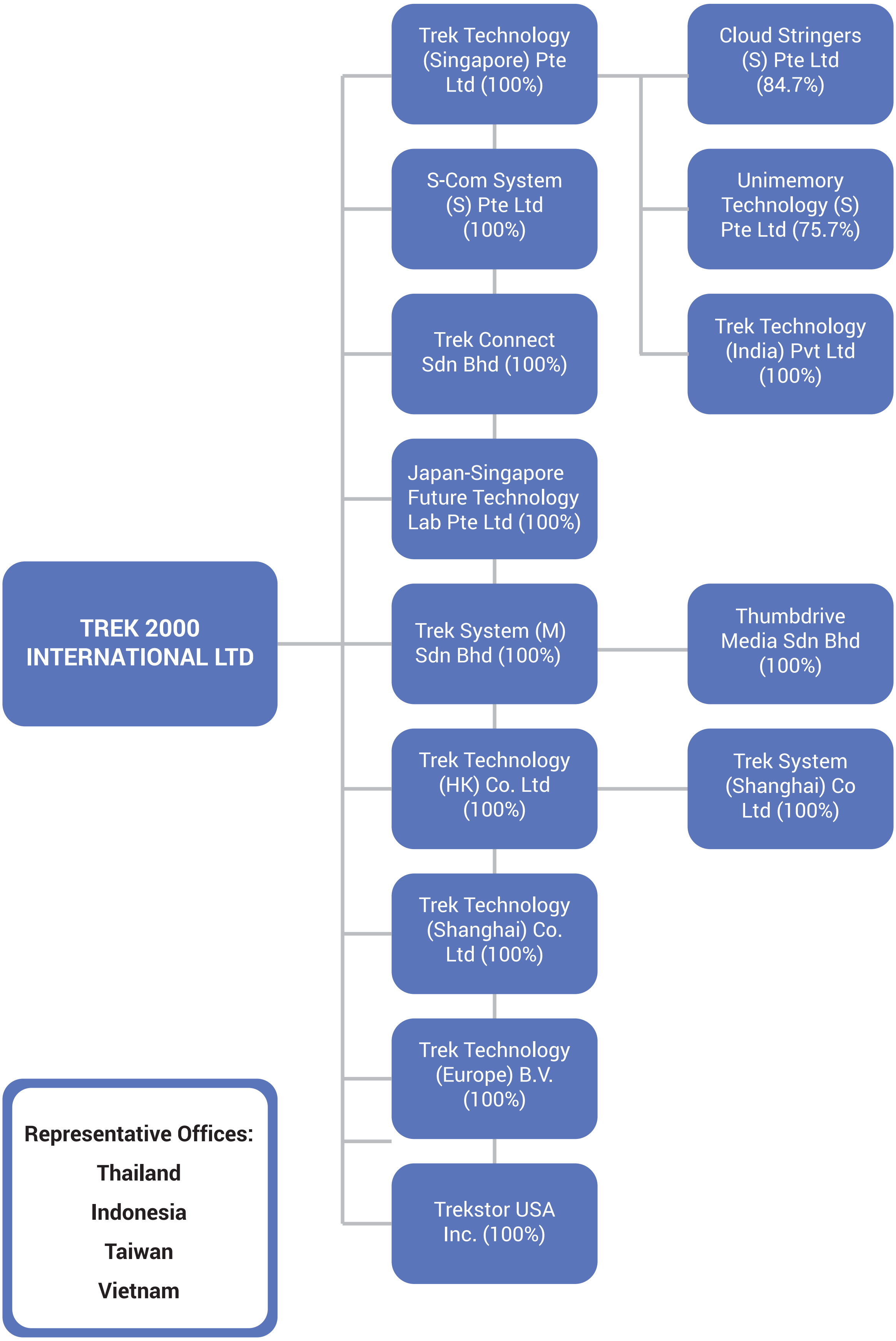
Mr. Kuan is the President of Strategic Business and Executive Director of the Company. He is appointed to the board on 24 April 2018.

Mr. Kuan currently heads the Strategic Business and is also overall in charge of Research and Development of the Group. He has extensive experience in his current role including more than 19 years' experience in international sales and more than 12 years' experience in research & development, and engineering roles.

Mr. Kuan has extensive knowledge of the global markets particularly in US, Europe and Asia. He was based in China's Beijing and Shenzhen for 3 years to develop and establish partnerships for the Group. Prior to joining the Group, Mr. Kuan was an engineer with Thomson electronic group and in this role, was Thomson's STAR performer and, an inventor and holder to a patent.

Mr. Kuan holds a Diploma in Electronics Engineering.

# GROUP STRUCTURE



# MANAGEMENT PROFILE

### MR. JOHNNY YEO SHEOK YEOW

*Director of Finance*

Mr. Johnny Yeo joined the Group in 2018. He has more than 20 years' experience and is presently responsible for the finance and accounting functions of the Group. Mr. Yeo holds a Master of Business Administration Degree from Nanyang Technological University, Singapore, and a Bachelor of Commerce Degree from Murdoch University, Australia. He is a FCA with the Institute of Singapore Chartered Accountants (ISCA).

### MR. MARK ENG HAN SING

*Assistant President for B-C Sales*

Mr. Mark Eng is currently the Assistant President for B-C sales. He has more than 18 years' experience in the industry. Mr. Eng joined the Group in 2019 and is presently responsible for the sales and marketing, planning and strategy of our group. He holds a Bachelor of Science degree from National University of Ireland, Singapore.

### MR. RAJASHEKARAN AMBIKAPATHY

*Assistant General Manager - India*

Mr. Rajashekaran Ambikapathy is currently the Assistant General Manager of our India operations. He has more than 25 years' experience in the industry. Mr. Rajashekaran joined the Group in 2012 and is presently responsible for the sales and marketing, planning, strategy, accounting and administrations of our India operations. He holds a Bachelor of Science from Bangalore University, Karnataka, India.

### MR. EDDIE CHAN KAM LOY

*General Manager – Malaysia*

Mr. Eddie Chan is currently the General Manager of our Malaysia operations. He has more than 18 years' experience in the industry. Mr. Chan joined the Group in 2009 and is presently responsible for the sales and marketing, planning and strategy of our Malaysia operations. He holds a Diploma in Commerce from TAR College, Malaysia.

### MR. GARY LI CHUSHENG

*Senior Sales Manager - Singapore*

Mr. Gary Li is currently the Sales Manager of our Singapore operations. He has more than 10 years' experience in the industry. Mr. Li joined the Group in 2008 and is presently responsible for the sales and marketing, planning and strategy of our Singapore operations. He holds a Bachelor of Commerce degree from Murdoch University, Australia.

### MS. SUPAWADEE WIRIWUTHIKORN

*Country Manager – Thailand*

Ms. Supawadee Wiriwuthikorn is currently the Country Manager of our Thailand operations. She has more than 20 years' experience in the industry. She joined the Group in 2019 and is presently responsible for the sales and marketing, planning and strategy of our Thailand operations. Ms. Supawadee holds a Bachelor of Business Administration and Master degree of Management from Chulalongkorn University, Thailand.

### MR. WU ZEBANG LEO

*Sales Manager – China and Hong Kong*

Mr. Wu Zebang, Leo is presently the Sales Manager of our China and Hong Kong operations. He has more than 15 years' experience in the industry. Mr. Wu joined our Group in 2014 and is presently responsible for the sales and marketing, planning and strategy for our China & Hong Kong operations. He holds a Bachelor of Electronic Technology degree from Guilin University, China.

### MR. ERIC CHANG CHIA JUNG

*Sales Manager – Taiwan*

Mr. Eric Chang is presently the Sales Manager of our Taiwan operations. He has more than 18 years' experience in the industry. Mr. Chang is presently responsible for the sales and marketing, planning and strategy for our Taiwan operations. He holds a Bachelor of Electrical Engineering degree from Chung Hua University of Technology, Taiwan.

### MR. RAJESH SEETHARAMAN

*Manager - Intellectual Property*

Mr. Rajesh Seetharaman is currently the Manager in charge of the Group's Intellectual Property (IP) Division. He joined the Group in 2017 and is presently responsible for the patent registrations and maintenance, intellectual property protection and enforcement, and IP related matters. He holds an Engineering Degree from Madras University, India, and a Law Degree from Karnataka University, India.

# MANAGEMENT PROFILE

## MR. CHAN KOON KEET

*R&D Manager - Malaysia*

Mr. Chan Koon Keet is currently the R&D Manager of our R&D centre in Malaysia. He has more than 18 years' experience in the industry. Mr. Chan joined the Group in 2001 and is presently responsible for product planning and other R&D work relating to firmware and hardware designs. He holds a Bachelor of Electrical & Electronics Engineering degree from University of Northumbria, United Kingdom.

## MR. BIJU RAMAN KOTTARATHIL

*R&D Manager – India*

Mr. Biju Raman Kottarathil is currently the R&D Manager of our R&D centre in India. He has more than 18 years' experience in software development and, is presently responsible for software development and other R&D work in our R&D centre in India. He holds a Bachelor of Science degree from Kannur University, Kerala, India.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Non-Executive*
**Khor Peng Soon** *(Non-Executive Chairman & Non-Independent Director)*
**Chay Yee Meng** *(Independent Director)*
**Kwek Swee Heng** *(Independent Director)*

### *Executive*
**Tan Joon Yong, Wayne** *(Executive Director and Group President)*
**Kuan Mun Kwong** *(Executive Director and President of Strategic Business)*

### *Audit Committee*
**Chay Yee Meng** *(Chairman)*
**Khor Peng Soon**
**Kwek Swee Heng**

### *Nominating Committee*
**Chay Yee Meng** *(Chairman)*
**Khor Peng Soon**
**Tan Joon Yong, Wayne**

### *Remuneration Committee*
**Khor Peng Soon** *(Chairman)*
**Chay Yee Meng**
**Kwek Swee Heng**

### *Risk Review Committee*
**Chay Yee Meng** *(Chairman)*
**Khor Peng Soon**
**Kwek Swee Heng**
**Kuan Mun Kwong**
**Yeo Sheok Yeow Johnny**

### *COMPANY SECRETARY*
**Lotus Isabella Lim Mei Hua**

### *REGISTERED OFFICE*
30 Loyang Way #07-13/14/15
Loyang Industrial Estate
Singapore 508769
Tel: (65) 6546 6088
Fax: (65) 6546 6066

### *WEBSITES*
www.trek2000.com.sg
www.thumbdrive.com
www.flu-card.com
www.ai-ball.com
www.cloudstringers.com

### *STOCK LISTING*
Singapore Exchange
Ticker Symbol: TREK
ISIN CODE: SG 1159-8829-65

### *SHARE REGISTRARS*
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

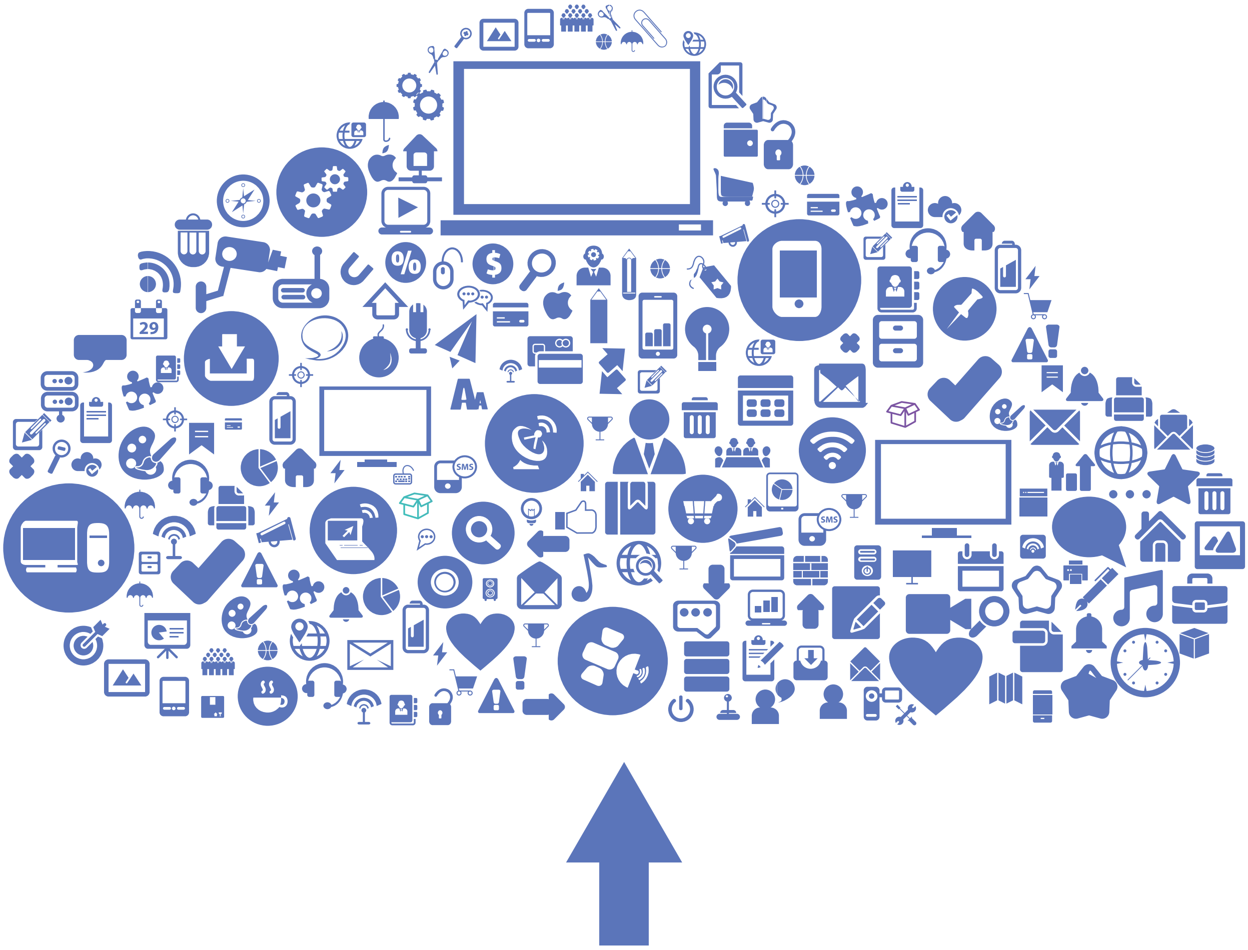
### *BANKERS*
The Development Bank of Singapore Ltd
Overseas Chinese Banking Corporation Ltd
Credit Suisse S.A.

### *AUDITORS*
Foo Kon Tan LLP
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

### *AUDIT PARTNER IN-CHARGE*
**Chin Sin Beng**
Date of Appointment: Financial Year Ended 31 December 2019

TREK®
INNOVATION: INSIDE OUT

# CloudStringers Eco-Solutions



COMPUTERS | IMAGING | SURVEILLANCE/ SECURITY | MEDICAL | OTHERS

*ThumbDrive® Cloud* | *iSSD* | *MSSD* | *Flucard® Ultra* | *Ai-Ball* | *Chez Solutions* | *Smart Sensor* | *PAS* | *Smart Meter*

# Trek Patented Innovations

This page is intentionally left blank

This page is intentionally left blank

# CONTENTS

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

Trek 2000 International Ltd ("the Company") is committed to maintaining high standards of corporate governance in complying with the Code of Corporate Governance which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual. On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("CCG2018"), which will take effect for annual reports covering financial year ends commencing on or after 1 January 2019. Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interests of all shareholders. The Company has adhered to the principles and guidelines of the CCG2018. This report outlines the Company's corporate governance processes, practices and activities that were in place for the financial year ended 31 December 2019 ("**FY2019**"), with specific references to the guidelines of the CCG2018, where applicable except where otherwise stated.

**BOARD MATTERS**

***Board's Conduct of its Affairs (Principle 1)***

The Board of Directors ("the Board"), which meets at least four times a year, supervises the management of the business and the affairs of the Company and its subsidiaries ("the Group"). The Board's role is to:

1. provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

2. establish a framework of prudent and effective controls which enables risks to be assessed and managed;

3. review management performance;

4. set the Group's values and standards, and ensures that obligations to shareholders and other stakeholders are understood and met; and

5. considers sustainability issues as part of its strategic formulation.

Sustainability issues

The Board recognises that to ensure that the business continues to be sustainable. The Group has to strike a balance between its business needs and the needs of the society and the environment in which the Group operates. The Board believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out to all stakeholders, from its employees to the community, and be responsible stewards of its natural environment. The Company has done this and complies with Rule 711A of SGX-ST Listing Manual on sustainability reporting.

All Directors are aware of their fiduciary duties and exercises due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company.

To facilitate effective management of the Board, certain functions have been delegated to four Board Committees namely Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Risk Review Committee ("RRC"), each of which has its own written Terms of Reference and whose actions are reported to and monitored by the Board. Apart from its statutory responsibilities, the Company has adopted internal guidelines setting forth matters that require Board's approval. The types of material transactions that require the Board's approval under such guidelines are as follows:

a) Approval of quarterly results announcements;

b) Approval of annual results and accounts;

c) Declaration of interim dividends and proposal of final dividends;

d) Convening of shareholders' meetings;

e) Approval of corporate strategy;

f) Authorisation of merger and acquisition transactions; and

g) Authorisation of major transactions.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

The Board meets regularly on a quarterly basis and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Attendance via telephone conference and conference via audio-visual communication at Board meetings are allowed pursuant to the Company's Constitution. The number of Board and Board Committee meetings held in the year and the attendance of each Board member at these meetings are disclosed below:

| | Board of Directors | | Audit Committee | | Remuneration Committee | | Nominating Committee | | Risk Review Committee | | Investment Committee | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of Meetings | | Number of Meetings | | Number of Meetings | | Number of Meetings | | Number of Meetings | | Number of Meetings | |
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Mr. Khor Peng Soon | 4 | 4 | 4 | 4 | 1 | 1 | N.A. | N.A. | – | – | 3 | 3 |
| Mr. Chay Yee Meng | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | – | – | 3 | – |
| Mr. Kwek Swee Heng | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | – | – | N.A. | N.A. |
| Mr. Tan Joon Yong, Wayne | 4 | 2 | N.A. | N.A. | N.A. | N.A. | 1 | 1 | – | – | 3 | 3 |
| Mr. Kuan Mun Kwong | 4 | 1 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | – | – | N.A. | N.A. |

As a general rule, Board papers are required to be sent to Directors at least seven days before Board meeting so that the Members may better understand the matters to be put before the Board meeting and discussion may be focused on questions that the Board has about the matters as set out in the Board papers. In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board with a management report containing adequate and timely information. Such reports cover financial updates with explanations of material variances over previous year's actual results. In addition, management will also update the Board on matters of the Company from time to time when necessary.

The Directors have separate and independent access to the Company's senior management, who together with the Company Secretary, are responsible to ensure that the Board procedures are followed and that applicable rules and regulations are complied with. Pursuant to the Company's Constitution, the Company Secretary shall be appointed by the Directors on such terms and for such period as they may think fit. The Company Secretary administers, attends and prepares minutes of all Board meetings. The Company Secretary assists the Chairman in ensuring that board procedures are followed and regularly reviewed to ensure the effective functioning of the Board, and that the Company's Constitution and the relevant rules and regulations, including the requirements of the Companies Act and the Listing Manual of the SGX-ST, are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes. The appointment and the removal of the Company Secretary rest with the Board.

A formal letter is sent to a director upon his appointment setting out his duties and responsibilities. The Board may take independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Apart from keeping the Board informed of all relevant new laws and regulations, the Company has an orientation programme for new directors in connection with their duties as Directors which includes detailed presentation by key senior management covering the structure, business, activities and growth strategies of the Group. Depending on their skillsets and background, directors are sponsored for relevant courses, conferences and seminars in order that they can be better equipped to fulfil their governance role and to comply with directors' obligations. Where there are statutory and regulatory changes that affect the obligations of directors, the Company will organise briefings by external legal counsel, where appropriate, at the Company's expense.

***Board Composition and Guidance (Principle 2)***

The Board comprises five Directors, two of whom namely, Mr. Chay Yee Meng and Mr. Kwek Swee Heng were Independent Non-Executive Directors for the year ended 31 December 2019. Mr. Khor Peng Soon has, as at 1 January 2019, advised the Board of his change in designation to Non-Executive Non-Independent Director as he is deemed interested in the shares of the Company. As he has an interest exceeding 10% of the issued shares of the Company, pursuant to the CCG2018, Mr. Khor Peng Soon is deemed to be a Non-Executive Non-Independent Director of the Company.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

A brief description of the background of each Director is presented at the "Board of Directors" section.

The Board, through the NC, reviews the independence of each Independent Director, board structure, size and composition annually. No individual or group of individuals was able to dominate the Board's decision-making process. The Board consists of high caliber members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insights, drawing from their vast experience in matters relating to accounting, finance, business and general corporate matters. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision-making process.

The NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operation.

Currently, only two (2) out of the five (5) directors are Independent Directors. CCG2018 requires that the Independent Directors must make up a majority of the Board, where the Chairman of the Board is not an independent director. The Company is in the process of identifying a suitable candidate to increase the number of Independent Directors  The Independent Director is required to declare his independence by duly completing and submitting a "Confirmation of Independence" form. Each of the Independent Directors have confirmed that he does not has any relationship with the Company or its related corporations, its shareholders who have an interest of not less than 5% of the Company's total voting shares, or its officers including confirming not having any relationship and circumstances set out in guideline 2.1 of the CCG2018 that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgement in carrying out the functions as an Independent Director with a view to the best interest of the Group. The Board and the NC has reviewed, determined and confirmed the independence of the Independent Directors.

The NC is of the view that the multiple board representations held presently by the Directors do not hinder them from carrying out their duties to the Company.

The Board has considered and agreed with the NC's recommendation to defer the need to set guidelines for maximum directorships in a listed company that a Director can hold because each director has different capabilities. The nature of the organisations in which they hold appointments and the committees on which they serve are of different complexities. Accordingly, each Director would personally determine the demands of his competing directorships and obligations and assess the number of listed directorships they could hold and serve effectively. The NC is satisfied that sufficient time and attention are being devoted by the Directors to the affairs of the Company and the Group during FY2019. The NC will continue to review from time to time, the Board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The NC does not make any determination on the tenure of an Independent Director as the NC takes the view that in ascertaining a Director's independence, it is his ability to exercise independence of mind and judgment to act honestly and in the best interests of the Company that matters.

The Independent and Non-Executive Directors communicate without the presence of the Management as and when the need arises. The Company has also benefited from management's access to its Directors for guidance and exchange of views both inside and outside the formal environment of Board and Board Committee meetings.

***Chairman and Chief Executive Officer (Principle 3)***

In compliance with the CCG2018, the Chairman and the Chief Executive Officer ("CEO") are separate persons.  Currently, the role of CEO is performed by the Group President, Mr. Tan Joon Yong, Wayne while the Chairmanship is assumed by Mr. Khor Peng Soon.  Both the Chairman and Group President are not related to each other.

This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman:

(i) Oversees the Group's corporate governance structure and conduct to ensure high standard of corporate governance;

(ii) Leads the Board to ensure effective functioning of the Board and its Board committees;

(iii) Sets the agenda and ensures that adequate time is available for discussion of all items on the agenda, in particular strategic issues;

(iv) Promotes a culture of openness and debate at the Board;

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

(v) Ensures that the Directors receive complete, adequate and timely information;

(vi) Ensures effective communication with Shareholders;

(vii) Encourages constructive relations within the Board and between the Board and the management; and

(viii) Facilitates the effective contribution of Non-Executive directors.

The Board has delegated the day-to-day management to the Group President. The Group President is the overall coordinator of the Management team for the effective implementation of business strategies and policies and is supported by the respective Heads of Departments. The Group President also assists in ensuring compliance with the Company's guidelines on corporate governance.

***Board Membership (Principle 4)***

The NC comprises three members, who at the date of this Report are:

Mr. Chay Yee Meng - Chairman
Mr. Khor Peng Soon - Member
Mr. Tan Joon Yong, Wayne - Member

The NC, which has written Terms of Reference, is responsible for making recommendations to the Board on all board appointments and re-appointments, including identifying and shortlisting suitable candidates. The responsibilities of the NC also include the following:

a) Annual review of training and professional development programmes and skills required by the Board, and the size of the Board;

b) Review the independence of each Director and ensure that the independent directors make up at least half of the Board and also comprise a lead independent director who is a member of the NC;

c) Review whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, when he has multiple board representations, taking into consideration the director's number of listed company board representations and other principal commitments;

d) Decide how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;

e) Formal assessment of the effectiveness of the Board as a whole and each individual Director; and

f) Review and recommend to the Board on relevant matters relating to the board succession plans, development of process for evaluation of the Board, Board committees and Directors' performance, and training programs for the Board, etc.

The NC has in place a formal process for the selection of new Directors and re-appointment of Directors as follows:

a) The NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with the Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;

b) If required, the NC may engage consultants to undertake research on, or assess, candidates for new positions on the Boards;

c) The NC meets with short-listed candidates to assess their suitability and ensure that the candidates are aware of the expectations; and

d) The NC makes recommendations to the Board for approval.

The NC also ensure that new directors are aware of their duties and obligations.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

The NC also reviews the independence of the Directors as mentioned under Guideline 2.1 of the CCG2018 on an annual basis. The NC has affirmed that Mr. Chay Yee Meng and Mr. Kwek Swee Heng are independent and free from any relationship outlined in the CCG2018. Each of the Independent Directors has also confirmed his independence in accordance with the CCG2018. Mr. Chay Yee Meng has served as a Board member of the Company for a total of 16 years. In view of this, the re-election of Mr. Chay Yee Meng at the Annual General Meeting ("AGM") in 2022 will be subject to two separate votes, the first by all shareholders of the Company and the second by shareholders excluding the directors and chief executive officer and their associates.

At each AGM, one-third of the Directors with the longest term in office are required to retire and submit themselves for re-election. At the forthcoming AGM, Mr. Kuan Mun Kwong and Mr. Kwek Swee Heng will be due for retirement pursuant to Article 103 of the Company's Constitution.

Mr. Kwek Swee Heng will, upon re-election as Director, remain as a member of the Audit, Nominating, Remuneration and Risk Review Committees. The Board considers Mr. Kwek Swee Heng to be independent for the purposes of Rule 704(8) of the SGX-Listing Manual.

The NC has recommended and the Board has agreed Mr. Kuan Mun Kwong and Mr. Kwek Swee Heng who are due for retirement pursuant to Article 103 of the Constitution of the Company, are eligible to seek re-election at the forthcoming AGM.

Mr. Kuan Mun Kwong has advised the Board that he will not be seeking re-election as a Director of the Company at the forthcoming AGM, due to personal reasons.

Key information regarding Directors such as shareholding in the Company and its related corporations, directorships or chairmanships both present and those held over the preceding three years in other listed companies are set out in the "Board of Directors" section of this annual report.

As at the date of this Report, none of the Independent Director held office as a Director of the Company's principal subsidiaries. The Board will be updated on the revised Board structures of the principal subsidiaries and the appointment of Independent Director into the principal subsidiaries, if any, from time to time.

The Company does not have any alternate Directors as the Board does not encourage the appointment of alternate Directors unless it is an exceptional case.

The key information on each retiring director is set out on page 12 to 13.

***Board Performance (Principle 5)***

The NC undertakes an annual evaluation of the overall effectiveness of the Board. Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of the individual Directors. The performance criteria for the Board evaluation includes the size and composition of the Board, the Board's access to information, Board proceedings, the discharge of the Board's functions and the communications and guidance given by the Board to the Management.

Each director also undertakes a self-assessment to evaluate their contribution to the Board. This self-assessment process takes into account, inter alia, the commitment, value of contribution to the development of strategy, availability at board meetings, interactive skills, degree of preparedness, industry awareness and business knowledge and experience of each director.

The results of the evaluation exercise will be considered by the NC, which will then make recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively.

Each member of the NC shall abstain from participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as Director.

The Board comprise members with considerable years of experience in the industry, technology, finance and management. Each member brings to the Board his expertise in the relevant fields to make balanced decisions. The NC is of the view that the performance of the Board as a whole is satisfactory. The Board's performance is ultimately reflected in the performance of the Group.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

## REMUNERATION MATTERS

***Procedures for Developing Remuneration Policies (Principle 6)***

The RC comprises the following members:

Mr. Khor Peng Soon - Chairman
Mr. Chay Yee Meng - Member
Mr. Kwek Swee Heng - Member

The composition of the RC complies with the requirement that the RC should be made up of entirely Non-Executive Directors.

The members of the RC carry out their duties in accordance with the Terms of Reference, which include the following:

a) Advising the Board on the framework of remuneration policies for Executive, Non-Executive Directors and key management personnel including specific remuneration packages;

b) Reviewing and approving the granting of share options to the Executive Directors;

c) Reviewing and approving the award of aggregate variable cash bonuses and share options to the employees of the Group; and

d) Overseeing management development and succession planning in the Group.

The Company adopts a formal procedure for the fixing of the remuneration packages of individual Director. No individual Director is involved in deciding his own remuneration. In settling remuneration packages, the Company takes into account remuneration conditions within the same industry benchmarking against comparable companies, as well as the Group's relative performance.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Where necessary, the RC will consult external professionals on remuneration matters of the Directors and key management personnel. No remuneration consultants were engaged by the Company in FY2019.

***Level and Mix of Remuneration (Principle 7)***

Executive Directors do not receive directors' fees. The remuneration policy for Executive Directors and Senior Management staff consists of three key components, that is, fixed cash, annual variable and long-term incentive. The fixed component includes salary, pension fund contributions and other allowances. The variable component takes into account the risk policies of the Company and comprise a performance based bonus which forms a significant proportion of the total remuneration package of the Executive Directors and is payable on the achievement of individual and corporate performance targets. The long-term incentive is granted based on the individual employee's performance and contributions. The remuneration policy has been endorsed by the RC and the Board.

The RC also administers the Trek 2000 International Ltd Share Option Scheme 2011 (the "2011 Scheme") and determines the grant of share options to eligible participants. The 2011 Scheme and other components of the remuneration package for Executive Directors and Senior Executives serve as an added incentive.

Generally, remuneration matters relating to the Directors and key Executives are reviewed and recommended by the RC to the Board for approval, except for certain standard components of the key executives' remuneration, like annual salary review and company-wide bonus payment, which will be reviewed and authorised by the senior management of the Company. The RC also ensures that the remuneration is appropriate to attract, retain and motivate the Directors and key executives to provide good stewardship of the Company for the long term.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Committees and are also granted share options based on their respective contributions to the Board and Board Committees. A Directors' Fee policy has been put in place to determine the quantum of fees payable to Directors. All Independent Non-Executive Directors receive directors' fees, which are subject to the approval of shareholders at the AGM.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

***Disclosure on Remuneration (Principle 8)***

The Remuneration Framework covers all aspects of remuneration for the Executive Directors, Non-Executive Directors, Independent Directors and key Executives of the Company.

To maintain confidentiality on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company to keep the disclosure of remuneration of each individual Director and key management personnel in salary bands.

A breakdown, showing the level and mix of each individual director's remuneration for the FY2019 are as follows:

| **Directors' Remuneration Band** | Fees[1] % | Salary % | Bonus % | Share Options % | Total % |
|---|---|---|---|---|---|
| | | | | | |
| [Below S$250,000] | | | | | |
| Mr. Khor Peng Soon | 100 | – | – | – | 100 |
| Mr. Chay Yee Meng | 100 | – | – | – | 100 |
| Mr. Kwek Swee Heng | 100 | – | – | – | 100 |
| Mr. Tan Joon Yong, Wayne | – | 76 | 24 | – | 100 |
| Mr. Kuan Mun Kwong | – | 93 | 7 | – | 100 |

In aggregate, the total remuneration paid to the top five (5) key management personnel in FY2019 was US$277,445.

Details relating to the Share Option Scheme 2011 are provided in the Report of the Directors.

**Key Executives**

The remuneration of the top five (5) executives of the Group (who are not Directors of the Company) for the financial year ended 31 December 2019 is shown in the following bands:

| **Remuneration Band** | **Name of Executives** |
|---|---|
| [Below S$250,000] | Mr. Johnny Yeo – Director of Finance |
| | Mr. Mark Eng – Assistant President for B-C Sales |
| | Mr. Gary Li – Senior Sales Manager, Singapore |
| | Mr. Eric Chan – Sales Manager, Taiwan |
| | Mr. Biju Raman Kottarathil - R&D Manager, India |

There were no termination, retirement and post-employment benefits granted to Directors, the Group President and the top five (5) key management personnel during the year.

**Immediate Family Member of Director**

There are no employees who are immediate family members of a director during FY2019, except for Mr. Tan Boon Tat, Mr. Tan Boon Siong and Mr. Tan Boon Liew, all uncles of Mr. Tan Joon Yong, Wayne, and Mr. Tan Henry @ Henn Tan, father of Mr. Tan Joon Yong, Wayne.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

## ACCOUNTABILITY AND AUDIT

***Risk Management and Internal Controls (Principle 9)***

The Company has established a RRC comprising:

Mr. Chay Yee Meng – Chairman
Mr. Khor Peng Soon – Member
Mr. Kwek Swee Heng – Member
Mr. Kuan Mun Kwong – Member
Mr. Yeo Sheok Yeow Johnny - Member

The objective of the RRC is to set forth the processes and procedures to identify risk areas in the Group and adopt policies and functions to manage these risks.

The Terms of Reference of the RRC include the following:

(i) Review the adequacy of the Group's risk review framework to ensure that robust risk review is in place:

- Adopt an enterprise-wide risk review framework to enhance its risk management capabilities.
- Financial and operational key risk indicators are in place to track key risk exposures.

(ii) Review and discuss with Management, the policies and procedures for identifying, assessing, controlling, monitoring and reporting the Group's significant risk:

- The procedures for identifying strategic and business risks and controlling their financial impact on the Group and the operational effectiveness of the policies and procedures related to risk.
- The policies for ensuring compliance with relevant regulatory and legal requirements and in the case of financial statements, generally accepted accounting principles.
- Arrangements for the protection of the Group's ownership of intellectual property and other non-physical assets.
- Policies and practices for detecting, reporting and preventing fraud, serious breaches of business conduct, and whistle-blowing reporting procedures to the RRC.

(iii) Review the risk profile of the Group periodically, and discuss with Management the policies, procedures and action plans for mitigating and managing risks.

(iv) Review the overall appropriateness and effectiveness of the risk review system.

In accordance with audit plans, the Company's internal and external auditors have conducted an annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls, and risk management systems. Any material non-compliance or failure in internal controls and recommendations for improvements are reported to the AC. The AC has also reviewed the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The Board has also received assurance from the Group President and the Director of Finance that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and (ii) key management who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control.

Based on the internal controls established and maintained by the Group, works performed by internal auditor and actions taken by the management on the on-going review and continuing efforts at enhancing controls and processes, the Board with the concurrence of the AC, is of the view that the system of internal control (including financial, operational, compliance and information technology controls, and risk management systems) maintained by the Company's management is adequate and effective against material financial misstatements or loss, and includes the safeguarding of shareholders' investments and the Company's assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and management of business risks.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

***Audit Committee (Principle 10)***

The AC comprise three Board members, two of whom are Independent and Non-Executive Directors, with one Non-Independent Non-Executive Director. The members of the AC at the date of this report are:

Mr. Chay Yee Meng - Chairman
Mr. Khor Peng Soon – Member
Mr. Kwek Swee Heng – Member

Mr. Chay Yee Meng, is by profession a qualified accountant. The other members of the AC have many years of experience in business management and finance. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions. The AC is routinely updated on proposed and impending changes in accounting standards and issues which have a direct impact on financial statements.

The AC convened four meetings during the financial year. The AC has also met with the internal and external auditors, without the presence of the Company's management, at least once a year. Details of members and their attendance at meetings are provided in page 23.

The AC, which has written Terms of Reference, performs the following functions:

(i) Reviews the audit plans of the internal and external auditors of the Company and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;

(ii) Reviews significant financial reporting issues so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance before submission to the Board of Directors;

(iii) Reviews the adequacy and effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls, and risk management systems via reviews carried out by the internal auditors;

(iv) Meets with the internal and external auditors, without the presence of management at least once a year;

(v) Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vi) Reviews the cost effectiveness and the independence and objectivity of the external auditors;

(vii) Reviews the nature and extent of non-audit services provided by the external auditors to ensure that their independence is not compromised;

(viii) Recommends to the Board of Directors the external auditors to be re-appointed, approves the audit fees and reviews the scope and results of the audit;

(ix) Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

(x) Reviews interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

The AC has the power to conduct or authorise investigations into any matters within the scope of the AC's scope of responsibilities. Management has put in place, and AC has reviewed and endorsed arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of such matters and for appropriate follow-up action.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

As at the Report date, the AC has:

(i) reviewed the scope of work of the external auditors;

(ii) reviewed the scope of work of the internal auditors;

(iii) reviewed audit plans and discussed the results of the respective findings and their evaluation of the Company's system of internal accounting controls;

(iv) reviewed interested person transactions of the Company;

(v) met with the Company's external auditors and internal auditors without the presence of the management;

(vi) reviewed the external auditors' independence and objectivity; and

(vii) reviewed the Company's procedures for detecting fraud and whistle-blowing matters and to ensure that arrangements are in place by which any employee may, in confidence raise concerns about improprieties in matters of financial reporting, financial control, or any other matters. A report is presented to the AC on the quarterly basis whenever there is a whistle-blowing issue.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. For FY2019, S$140,000 (US$104,631) was paid and payable to the external auditors for audit and non-audit services, of which S$15,000 (US$10,740) or 11% were for non-audit services. The AC is satisfied with the independence and objectivity of Foo Kon Tan LLP as external auditors and has recommended to the Board the re-appointment of Foo Kon Tan LLP as the Company's external auditors at the forthcoming AGM.

To kept abreast of the changes in accounting standards, SGX-ST Listing Rule and other regulations which have a direct impact on the Group's business and financial statements, the AC will seek advice from external auditors at the AC meetings held.

Foo Kon Tan LLP in Singapore audits Singapore-incorporated principal subsidiaries that are not exempt from audit under the Singapore Companies Act. Subsidiaries incorporated in countries outside Singapore that require an audit in their local jurisdictions are audited by other auditing firms. Our overseas associates which engage other auditing firms do not constitute a significant number. The names of the auditing firms of our subsidiaries and associates are disclosed at pages 88 and 91 of this Annual Report. The Company has complied with Rules 712 and 716 of the SGX Listing Manual in relation to the engagement of its auditors.

No former partner or director of the Company's existing auditing firm is a member of the AC.

**Whistle Blowing Policy**

The Company has adopted the whistle-blowing policy where staff of the Group may, in confidence, raise concerns on any suspicion of wrongdoings which covers improprieties in matters of financial reporting, fraudulent acts and other matters within the Group. The Management and the AC have been vested with the power and authority to receive, investigate and enforce appropriate follow up actions when any such non-compliance matter is brought to its attention.

**Internal Audit**

The Company and the Group have established an internal audit function that is independent of the activities it audits. The Company's internal audit function is outsourced to external professional firms, who report directly to the Chairman of AC. The Internal Auditors has unrestricted direct access to AC and unfettered access to all the Company's documents, properties and personnel, including access to the AC.

The AC reviews the adequacy and effectiveness of the internal audit function and approves the hiring, removal, evaluation and compensation of the head of the internal audit function or the firm to which the internal audit function is outsourced. The internal auditors plan the audit scope and schedule in consultation with the management, which is subject to the review and final approval of the AC. The internal auditors report findings and recommendations to the Chairman of the AC.

During 2019, the Company appointed Baker Tilly Consultancy (Singapore) Pte Ltd to do a thorough internal audit on the Company. Baker Tilly Consultancy (Singapore) Pte Ltd is affiliated to Baker Tilly Group, one of the top 10 global accounting firms. The firm adopts the International Standards for Professional Practice of Internal Auditing (the IIA Standards) laid down in the International Professional Practices Framework issued by IIA. Besides the Company, Baker Tilly Consultancy (Singapore) Pte Ltd is also appointed as internal auditor to more than 25 public listed companies in Singapore.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

The scope of the internal audit work carried out in 2019 was detailed and included the areas specified by SGX on internal controls and corporate governance practices under the Notice of Compliance as announced at SGXNET on 26 April 2018 and other core operational internal control systems of the Company. A copy of the internal audit report was also sent to SGX.

The AC has reviewed the scope and results of the internal audit and is satisfied that the internal audit function is adequately resourced and that there is appropriate coordination between the internal and external auditors and management.

The AC has reviewed the Company's risk assessment based on the internal audit reports and management controls in place. The Board, with the concurrence of the AC, is satisfied that there are adequate internal controls in the Group, including financial, operational, compliance and information technology controls, and risk management systems.

**Accountability**

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the AC reviews all financial statements and recommends them to the Board for approval.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects on a quarterly basis via quarterly announcements of results and other ad hoc announcements as required by the Singapore Exchange. The Company's Annual Report is sent to all Shareholders and is also accessible at the Company's website.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

***Shareholder Rights and conduct of General Meeting (Principle 11)***

***Communication with Shareholders (Principle 12)***

The Board is mindful of the obligations to provide regular, effective and fair communication to Shareholders. Information is communicated to the Shareholders on a timely basis. Where inadvertent disclosure has been made to a select group, the Company will make the same disclosure publicly to all as soon as practicable.

Other than the routine announcements made in accordance with the requirements of the Listing Manual, the Company has issued additional announcements and press releases to update Shareholders on the activities and developments of the Company and the Group during the year.

The Board welcomes the views of Shareholders on matters affecting the Group, whether at Shareholders' meetings or on an ad hoc basis. The Company ensures that shareholder have the opportunity to participate effectively and vote at shareholders' meetings. In this regard, shareholders are informed of Shareholders' meetings through notices published in the newspapers and reports or circulars sent to all Shareholders. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairman of the Audit, Remuneration and Nominating Committees are normally available at the meeting to answer those questions relating to the work of these Committees. The external auditors are also present to address the Shareholders' queries about the conduct of the audit and the preparation and content of the Auditors' Report. Shareholders are also informed of the rules and voting procedures governing such meetings.

Unless otherwise provided by the Statutes, the Company's Constitution allows a member of the Company to appoint any number of proxies to attend and vote at Shareholders' meetings. The Company is not implementing absentia-voting methods such as by mail, email, fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company will record the minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from the Management. Such minutes will be made available to shareholders upon their written request. The Company also publishes minutes of general meetings of shareholders on its corporate website as soon as practicable.

The Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

The Company has dedicated Financial PR Pte Ltd as its media and investor relations team that communicates with its shareholders and analysts regularly and attends to their queries. The IR team helps the Company promotes relations with and acts as liaison for institutional investors and public shareholders.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

The Group does not have a dividend policy in place at present. The Board may consider adopting a dividend policy in the future. In determining the form, frequency and amount of dividends that the Company may recommend or declare in respect of any particular year or period, the Board will take into consideration the Group's cash position, actual and projected financial performance, projected capital requirement and the level of funding required for the Group's operation. Any payouts are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results.

The Company will not be declaring a Final Dividend for the financial year ended 31 December 2019 as the Company continues to invest in research and development on the latest technology in the market. In addition, the Company is actively exploring opportunities for business expansion.

***Engagement with stakeholders (Principle 13)***

The Company ensures that all material information relating to the Company and its financial performance is disclosed in a timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern that general meetings.

Financial and other information to be communicated to members of the public are made available on the Group's website at www.trek2000.com.sg and this is regularly updated.

## DEALINGS IN SECURITIES

The Company, its Directors and certain officers and staff are required to refrain from trading in the shares of Trek 2000 two weeks before the announcement of the quarterly results and one month before the announcement of the full year results. This has been made known to Directors, Officers and Staff of the Company and the Group. In particular, it has been highlighted that to deal in the Company's securities as well as securities of other listed companies when the Officers (Directors and employees) are in possession of unpublished material price sensitive information in relation to those securities is an offence. The Officers are also discouraged from dealing in the Company's securities on short-term considerations. The Company, while having provided the window periods for dealing in the Company's securities, has its own internal compliance code in providing guidance to its officers with regard to dealing in the Company's securities including reminders that the law on insider trading is applicable at all times.

## INTERESTED PERSON TRANSACTIONS (IPT)

The Company has adopted an internal policy in respect of any transactions with interested persons. The Company has on 18 July 2017 released an announcement in relation to the update on the IPT inquiry.

Since then, the Company had implemented a thorough IPT tracking system. All IPT will need to be authorised by the Board of Directors. The Company follows closely the guidelines set in the SGX rulebook:

(i) For IPT transaction with aggregate amount of SGD 100,000 and above, and greater than 3% of previous year's audited NTA of the Company, this will need to be authorised by the Board of Directors and announced at the SGXNET;

(ii) For IPT transaction with aggregate amount of SGD 100,000 and above, and greater than 5% of previous year's audited NTA, an EGM will be required to be called upon and the transaction will need to be authorised by shareholders at the EGM.

IPT policies and procedures were independently drafted by a professional CPA firm, Deloitte Touche LLP, in previous years and implemented by the Company. These policies and procedures are reviewed and improved upon on annual basis, and changes to the system will be implemented after such review. The review takes into consideration the changes in the Company's business requirements.

On a quarterly basis, directors and controlling shareholder of the Company are required to declare their interests, shareholdings and directorships to the Company. All IPT and personal declaration forms by directors and controlling shareholder are required to be filed with the Company Secretary. The declarations and family details of the directors and controlling shareholder are deemed Interested Parties and a list of Interested Parties is compiled and sent to the directors, controlling shareholder and company secretary after the declaration for information. This list is also circulated to the

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

Company's operations departments to ensure that any dealings with the Interested Parties are monitored and highlighted to the relevant Directors for proper authorisation.

IPT Register is maintained and updated on quarterly basis, and this is circulated to the directors, controlling shareholder and company secretary on quarterly basis. In addition, to safeguard the Company, directors and controlling shareholder, the Company does a confirmation checks on the corporate details of any external party that has total transactions of SGD 100,000 and above, and greater than 3% of the previous year's NTA, with the Group.

During FY2019, save for IPT with an aggregate value of less than S$100,000, there were no interested person transactions entered into by the Company. The AC has reviewed the interested person transactions for FY2019 and is of the view that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The Company does not have any general mandate from shareholders pursuant to Rule 920 of the Listing Manual.

## MATERIAL CONTRACTS

No material contracts were entered into between the Company or any of its subsidiaries with any director or controlling shareholder during the FY2019. The control system for material contracts is included as part of the IPT systems as explained above. The guidelines and systems for monitoring, approving, reporting and reviewing of material contracts are part of the IPT systems implemented by the Company.

## RISK MANAGEMENT

***Inherent Industry Risk***

The Group is exposed to fast changing technology and industry development. The Group faces technological obsolescence if it is not able to constantly upgrade itself; keep up with the latest technological and industry developments or innovate to produce new products. In the event that it is unable to continue upgrading its capabilities to keep abreast of rapid technological changes, there will be a negative impact on the turnover and profitability. However, the capabilities and strength of the Group's research and development have enabled it to meet to the changing demands, as revealed through its library of patents registered and granted by the Group.

***Global Shortage of Key Components***

The Group relies heavily on certain key components used in its solutions, such as NAND flash memory chips and SmartMedia cards. At present, owing to the general market demand for such components, the Group may encounter shortages in the supply of such components from time to time. This may cause the prices of some or all of these components to increase, which will thereby have an adverse impact on our profits.

***Dependence on Key Personnel***

The continued success of the Group, to some extent, is dependent on its key management and technical personnel. The Company and the Group constantly look into the issue of attracting, retaining, training and recruiting suitably qualified and talented managers for its operations. The Group has continued to undertake measures to strengthen the top management team and to re-structure its management team by the internal promotion of several managers to ensure that the Trek 2000 team continues to be driven and well-guided to pursue further challenges ahead. In addition, the Group is committed to provide vigorous training to its technical staff force to ensure that their skills measure up to and surpass the industries' and customers' requirements in order to retain its competitive edge.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

## USE OF PROCEEDS FROM PLACEMENT OF NEW SHARES AND SALE OF TREASURY SHARES

As at the date of this Annual Report, the proceeds from placement of 26,000,000 new shares and sale of 1,000,000 treasury shares ("Net Proceeds") have been utilised as follows:

| Use of Net Proceeds (as announced on 24 June 2015) | Amount allocated (as announced on 24 June 2015) | Amount allocated as a percentage of Net Proceeds (as announced on 24 June 2015) (%) | Net Proceeds utilised as at the date of this Annual Report (S$) | Balance of Net Proceeds as at the date of this Annual Report (S$) |
|---|---|---|---|---|
| Research and Development (involves ongoing strategic research and development, particularly in the areas of medical diagnostic technology) | 5.79 million | 50 | – | 5.79 million |
| General Working Capital (to fund the ongoing growth and expansion of the Group's business and operations) | 5.79 million | 50 | – | 5.79 million |
| Total | 11.58 million | 100 | – | 11.58 million |

As at the date of this Annual Report, the Net Proceeds have not yet been utilised.

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

**DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION**

Mr. Kwek Swee Heng is the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 June 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

| **MR. KWEK SWEE HENG** | |
|---|---|
| Date of Appointment | 24 May 2018 |
| Date of last re-appointment | 23 April 2019 |
| Age | 58 |
| Country of principal residence | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Kwek Swee Heng for re-appointment as Non-Independent and Non-Executive Director of the Company. The Board have reviewed and concluded that Mr. Kwek Swee Heng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive Independent Director |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Independent Director, Member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Review Committee |
| Professional qualifications | Bachelor of Science in Business & Management (2nd Class Honors First Division) |
| Working experience and occupation(s) during the past 10 years | 2017 – Current<br>Cap1 Financial (Singapore)<br>Senior Advisor<br><br>2017 – Current<br>Union Bancaire Privee<br>Reverse Solicitation Finder<br><br>2008 – Current<br>McPeekay Investments Pte Ltd<br>Advisor<br><br>2011 – 2014<br>Coutts & Co<br>Referral Agent |
| Shareholding interest in the listed issuer and its subsidiaries | Deemed Interest: 551,300 ordinary shares |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | N.A. |
| Conflict of Interest (including any competing business) | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes |

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

| MR. KWEK SWEE HENG | |
|---|---|
| Other Principal Commitments* Including Directorships#<br><br>Past (for the last 5 years)<br><br><br><br>Present | <br><br>1. Intuit Capital Pte Ltd<br>2. Saveur Gourmet Group Private Limited<br>3. Spencer Grey Strategic Capital Group Pte Ltd<br><br>1. Cap1 Financial (Singapore) – Senior Advisor<br>2. Union Bancaire Privee – Reverse Soliciation Finder<br>3. Aladdin Group – Consultant<br>4. McPeekay Investments Pte Ltd – Advisor<br>5. Coutts & Co – Referral Agent |
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.** | |
| a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No |
| b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| c) Whether there is any unsatisfied judgment against him? | No |
| d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No |
| e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | Yes<br><br>PP v Kwek Swee Heng DAC No. 28926/2003 (97 (1) Securities Industry Act)<br><br>3 Feb 2004 pleaded guilty and fined S$90,000/= |

# REPORT ON CORPORATE GOVERNANCE

*Financial year ended 31 December 2019*

| MR. KWEK SWEE HENG | |
|---|---|
| f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No |
| g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No |
| h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No |
| i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No |
| j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–<br><br>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or<br>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere<br><br>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No |
| k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No |

# SUSTAINABILITY REPORT 2019

## CONTENTS

# SUSTAINABILITY REPORT

**Innovation: Inside Out**

The Group's tagline is 'Innovation: Inside Out', which means that we strive to be a group that transforms engineering concepts into reality with inventions that enhance people's lives. Our biggest challenges lie in being able to be at the forefront of the rapidly changing technology industry while protecting our intellectual property rights. At Trek, our vision for sustainability is aligned with our ethos to innovate relentlessly and change peoples' lives for the better while safeguarding our intangible assets.

We want to create the right products for the market. In this regard, we see an increase in demand for high quality medical technology ("MedTech") products and the vital need to evolve as the sustainability of products becomes an integral part of development in this vast Internet of Things ("IoT") market. We have identified growth opportunities in consumer wearables, medical and cloud technologies as part of the growing customers' needs.

For our inaugural sustainability report, we have adopted a phased implementation approach by focusing on the most critical economic, environmental, social and governance factors affecting our business today. We believe that in order to achieve sustainable and ethical growth, we must provide customers with quality and innovative products at competitive prices, provide suppliers and subcontractors with fair competition, create good value for shareholders, offer opportunities and attractive careers to our employees, contribute to the community and work towards a better and greener environment.

We are confident that we will continue to make a difference to society with our innovative products and to improve on our contribution every year.

**Introduction**

This report looks at the sustainability strategies and practices of Trek.

In our sustainability report for the past years, we have identified the relevant Environmental, Social, and Governance ("ESG") factors of the Group's operations and evaluated them to our current policies, procedures and practices, and set realistic qualitative targets for us to work towards to in future. In our subsequent year's reporting, we will continue to review and follow up on factors identified in the previous years. We will then assess the adopted policies and procedures, and determine whether the Group has met the targets set in prior year.

For our sustainability report this year, we will continue to adopt the Global Reporting Initiative ("GRI") principles for our sustainability report content and quality, and to meet the guidelines under the SGX-ST Listing Rules (711A and 711B) – Sustainability Reporting Guide.

This report will detail a range of current practices and future initiatives related to non-financial aspects of the Group's operations.

### 1.1 Defining Material Issues

The steps we take to define material issues are as follows:

1. Identify a list of sustainability issues affecting our business.
2. Prioritise the list of key sustainability issues internally through the use of questionnaires and dialogues.
3. Seek Board / Senior Management concurrence on identification of ESG factors.

We have classified the following as our material ESG factors and our sustainability efforts are channeled towards these material issues:

# SUSTAINABILITY REPORT

### 1.1 Defining Material Issues (cont'd)

| **Environmental Responsibility** | **Social Responsibility** | **Governance and Risk Management** |
|---|---|---|
|  |  |  |
| ■ Waste and resource management<br>■ Energy efficiencies<br>■ Community development | ■ Working conditions<br>■ Workplace safety<br>■ Employment practices<br>■ Diversity | ■ Corporate governance<br>■ Corporate values and code of conduct<br>■ Policies and practices<br>■ IT Risk Management<br>■ Product excellence<br>■ Capital management<br>■ Productivity<br>■ Research and development capability |

### 1.2 Engaging Stakeholders

Our stakeholders are important to us and we engage them closely in our operations. We have identified eight key stakeholders and evaluate their significance and impact on Trek. The Group is committed to building mutually beneficial relationships with these key stakeholders.

| Key Stakeholder | Topics | Stakeholder Engagement |
|---|---|---|
| **1. Suppliers/Business Partners** | • Product and service quality<br>• Needs analysis<br>• Competitive pricing<br>• Supplies of components on a timely basis<br>• Customer service | • Monthly meetings with key suppliers |
| **2. Customers/Business Partners** | • Product quality<br>• Needs analysis<br>• Competitive pricing<br>• Customer privacy<br>• Delivery allocation<br>• Payment timeliness | • Customer feedback management<br>• Face-to-face meetings with key customers<br>• Social media<br>- Facebook<br>- Online purchase platform<br>- Youtube<br>• Focus group meetings by visiting customer offices<br>• Informal dialogues |
| **3. Shareholders** | • Financial returns<br>• Industry conditions and outlook<br>• Business strategies, business growth<br>• Dividend policy | • Annual General Meeting (AGM)<br>• Extraordinary General Meeting (EGM)<br>• Quarterly briefing and special announcements<br>• Open hotline for shareholders |
| **4. Employees** | • Occupational health and safety<br>• Environmental issues (e.g. working conditions)<br>• Social issues (e.g. diversity, discrimination)<br>• Training and career development | • Yearly employee appraisals<br>• Employee feedback survey |
| **5. Communities** | • Community projects (e.g. products trial in Ren Ci Hospital and Gleneagles Hospital) | • Participation in community projects<br>• Face-to-face meetings<br>• Informal dialogues |

# SUSTAINABILITY REPORT

### 1.2 Engaging Stakeholders (cont'd)

| Key Stakeholder | Topics | Stakeholder Engagement |
|---|---|---|
| **6. R&D Institute, e.g. A*Star and external R&D institutes** | • New products and technologies<br>• Innovations by internal R&D teams and external R&D contractors | • Face-to-face meetings<br>• Informal dialogues |
| **7. Government Institutions and Authorities** | • Compliance to legislations<br>• Provide feedback to government institutions for their improvements in services | • Comply to regulations<br>• Feedback on business competitiveness and contributions to policies to help regulators improve their services |
| **8. Education Institutions** | • Contributions to training of our local workforce and upgrading of the industry skills | • Providing internships and training to students from institutions of higher learning<br>• Providing opportunities for students to learn and pursue research and engineering in our industry |

### 1.3 Targets and Strategies

The Group identifies material topics for reporting based on the significance of our ESG factors and the degree of impact and influence on our stakeholders' decisions. We are focused on those ESG factors we view to have maximum value for our key stakeholders.

| ESG Factors | Strategies | Targets |
|---|---|---|
| ***Sustainable Management*** | | |
| 1. Corporate Governance | • Diversity in Board composition and governance (2 executive directors and 3 non-executive directors). | • Continuous compliance to the mandatory requirements of SGX and meeting changes in corporate governance. |
| | • Constant shareholders' communication through AGM, EGM and investor relation meetings to manage stakeholders' concerns. | • Timely announcements at SGXNet on matters affecting the Group.<br>• Close communications with shareholders and addressing their concerns. |
| | • Resolving the internal control findings reported by the internal auditors, external auditors and the regulators. | • Working closely with auditors and Audit Committee on the internal control matters.<br>• Communicating with Audit Committee and Board of Directors on regular basis.<br>• Implementing systems that help improve and strengthen the internal control of the Group. |
| | • Fair competition with business partners, customers / clients and suppliers / subcontractors. | • Fair pricing given to all customers and objective selection process in sourcing suppliers/ subcontractors.<br>• Adopt ethical practices in our business. |
| 2. Corporate Values and Code of Conduct | • Enhance the Group's code of conduct. | • Put in place the relevant policies and procedures of the Group.<br>• Put in place rules and regulations to ensure staff act ethically in dealings with external parties.<br>• Operate within legal framework and adopt good corporate governance to safeguard the interest of stakeholders. |
| 3. Policies and Practices | • Maintain robust standard operating procedures for key processes. | • Review of standard operating procedures of key processes on an annual basis to ensure relevance and effectiveness.<br>• Improve the policies and procedures of the Group.<br>• Compliance to rules and regulations set by authorities.<br>• Shorten processes to achieve efficiency and effectiveness. |

# SUSTAINABILITY REPORT

**1.3 Targets and Strategies (cont'd)**

| ESG Factors | Strategies | Targets |
|---|---|---|
| ***Sustainable Management*** | | |
| | • Respect for property rights. (e.g.: patents and trademarks). | • Continue filing of patents for incoming innovations, with main target as China, HK and other countries as determined by the management.<br>• Proactive approach to safeguard our IPs and proceed with legal actions for patent infringement by external parties.<br>• Work closely to IP Laws and respect IPs of other parties. |
| 4. IT Risk Management | • Continue to be cautious in the safeguard of confidential information. | • Periodic review on IT security solutions administered to defend against external breach on the following access points:<br>o Network<br>o Servers<br>o Desktops/laptops<br>• Installing Anti-Virus software to safeguard data and prevent virus and hackers from infiltrating our IT systems.<br>• Rules and regulations relating to intellectual properties and compliances made to staff.<br>• Installing CCTV in our offices for security measures. |
| ***Sustainable Operations*** | | |
| 1. Working conditions | • Conducive working environment for all employees. | • Ensure employees are provided with sufficient and comfortable physical space to maintain a good working environment on a daily basis.<br>• Provide good incentives and rewards to staff eg. paid overseas holidays for staff.<br>• Provide re-employment contracts to eligible staff that is able to work beyond retirement age, and supporting other government initiatives. |
| 2. Workplace safety | • Safety workplace for all employees. | • Compliance to Ministry of Manpower ("MOM") annual workplace safety and health check.<br>• To continue to maintain zero workplace accident. |
| 3. Employment practices | • Committed in continuing to provide vigorous training technical staff force to ensure that skills and knowledge are up to and surpass the industries' and customers' requirements in order to retain its competitive edge. | • Prepare a training road map to identify the relevant trainings needs for individual employees.<br>• Encourage staff to upgrade their skills. |
| | • Strengthen the top management team and re-structure the management team through internal promotion of managers for the team to continue to be driven and well-guided in pursuing future challenges ahead. | • Performance based assessments on employees on an annual basis.<br>• Guiding staff on daily basis and monitoring performance.<br>• Budgeting system to monitor target and achievements. |
| 4. Diversity | • Maintaining human resources management system that is fair to all employees, regardless of ethnicity, gender, age, etc. | • Benchmarking of salary to identify the market rate for each position.<br>• Provide equal opportunities to local and overseas staff for career enhancement. |

# SUSTAINABILITY REPORT

**1.3 Targets and Strategies (cont'd)**

| | | |
|---|---|---|
| ***Sustainable Products*** | | |
| 1. Product excellence | • Customer retention/loyalty. | • Regular relationship building with customer such as company events, consistent customer communication and open hotline to better serve and retain customers.<br>• Product updates to customer on regular basis. |
| | • Product innovation. | • Innovate existing products.<br>• Venture on products on consumer wearables, medical and cloud technologies.<br>• Innovate existing products to change the world.<br>• Tie-up with external R&D institutes to explore new products and technologies. |
| 2. Capital management | • Investing in Quoted Investments and Fixed Deposit accounts. | • Considering possible investment opportunities to generate future income.<br>• Maintaining good relationship with investment community for opportunities to invest in good business and ventures.<br>• Maximising cash balance in Fixed Deposits to increase the returns on excess funds not invested. |
| 3. Productivity | • Set-up and monitor employees' Key Performance Indicators (KPIs). | • Rewarding employees when key business objectives are achieved.<br>• Guiding and monitoring staff on work performances. |
| 4. Research & Development capability | • Allocating resources on R&D activities for the advancement of innovations. | • To collaborate with other companies with the same interest on medical advancement.<br>• Set up R&D centres overseas.<br>• Improve our existing products.<br>• Tie-up with external R&D institutes to explore new products and technologies.<br>• Innovate new products that change the world. |
| ***Sustainable World*** | | |
| 1. Waste and resource management | • Reducing, recycling and reusing waste materials (e.g. using recycled papers). | • Reduce the paper usage by moving towards cloud platforms in collecting, exchanging and storing data.<br>• Use more paperless transactions.<br>• Minimise paper waste by encouraging staff to print on recycled papers. |
| | • Lower pollution. | • Segregate the disposal of R&D consumables. |
| | • Ongoing awareness on environmental effects and impacts. | • Promoting environmental awareness through regular training. |
| 2. Energy efficiencies | • Reducing energy consumption (e.g. electricity, fuels). | • Changing to eco-saver office equipment.<br>• Switching off lights and electricity when not in use. |
| 3. Community development | • Strong community engagement through donations to charities and non-profits organisations. | • Continue to provide donations to causes related to research on medical advancements and medical establishments. |
| | • Promoting social responsibility in the value chain by not doing any business in high-risk countries and not to sell any products that will harm the environment. | • Establish a customer selection evaluation process to include the review for key indication of Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT"). |

# SUSTAINABILITY REPORT

### 1.3 Targets and Strategies (cont'd)

| *Sustainable World* | | |
|---|---|---|
| | • Contributing to society as a good corporate citizen. | • Donate to charities to help society.<br>• Take part in charity drive to promote social interest.<br>• Provide free use of our products to young and talented people for their research projects.<br>• Adopt good corporate governance to safeguard interest of stakeholders. |

### 1.4 Risk and Opportunities

Based on the identified material topics, we are focused on those we view to have the maximum value for shareholders and stakeholders. This involves managing ESG risks and opportunities across the value chain. Our approach is to engage our value chain partners, wherever possible, to address the ESG impacts in our operations.

| *Sustainable Management* | |
|---|---|
| *Risk* | • Financial losses as a result of business disruption, loss of customers and suppliers, loss of privacy, reputational damage and legal implications.<br>• Business loss as a result of unauthorised use of our patents and technology by external parties. |
| *Opportunities* | • Transparency of business goals and objectives to stakeholders.<br>• Trusted and long-term partnerships with stakeholders.<br>• Foster and maintain employee trust and integrity by ensuring that all employees adhere to appropriate standards of conduct.<br>• Achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with industry regulations.<br>• New and innovative products to increase the market for the Group.<br>• Increase inventions to disrupt market and improve the way people work. |

**Approach:** We adopt an open organisation communication channel with our stakeholders to improve sustainability management.

| *Sustainable Operations* | |
|---|---|
| *Risk* | • Non-retention of essential employees.<br>• No succession plan in the event of high employee turnover. |
| *Opportunities* | • Develop and retain outstanding / dedicated employees.<br>• Instill employees' loyalty and commitment to improve the business.<br>• Value and care for employees' well-being.<br>• Promote healthy lifestyle and work-life integration. |

# SUSTAINABILITY REPORT

### 1.4 Risk and Opportunities (Cont'd)

**Approach:** We aim to retain key personnel through internal promotions and trainings. We will also create a safe and comfortable workplace where we can continue to have a zero-accident in the workplace.

| *Sustainable Products* | |
|---|---|
| *Risk* | • Product and technology obsolescence.<br>• Occurrence of product liability resulting from sub-standard product quality.<br>• Counterfeiting and intellectual property theft. |
| *Opportunities* | • Ongoing innovation in technologies to deliver affordable products.<br>• Value customer satisfaction for consumer's confidence in our product.<br>• Better use of excess funds.<br>• Enhance the value of company to shareholders.<br>• New products to launch the company to the next stage of growth. |

**Approach:** We aim to continuously invent products and solutions for our main product segments which are Medical Technology ("MedTech"), Wearable Technology, Storage, Cloud Technology and other new products. For MedTech products, we aim to introduce solutions that integrate technology into our current healthcare system by having easy accessibility to healthcare and transform the way it is delivered. For other products, we would like to innovate and come up with new or substitute products that disrupt technology and enhance/change the way people work.

| *Sustainable World* | |
|---|---|
| *Risk* | • Non-compliance to regulatory requirement resulting to fines and penalties/ business disruption. |
| *Opportunities* | • Develop eco-friendly products.<br>• Green office (use of energy efficient/environment friendly office equipment).<br>• Supporting charities by giving donations to local communities.<br>• Improve society at large through our efforts. |

**Approach:** We support government and NGOs initiatives on environmental awareness to better care for our environment. We will continue to support and provide donations to causes related to medical advancements and medical establishments, and make a difference to society through our contributions.

### Sustainable Management

The Group would like to take a proactive approach to managing sustainability by seeking opportunities to invest or embed it to its practices.

### 2.1 Corporate Governance

The Group is committed to maintaining high standards of corporate governance which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual. Good corporate governance establishes and maintains an ethical environment, which protects the interests of all stakeholders.

In line with the Group's commitment to maintaining good decision-making processes in the best interests of the stakeholders, the Group will improve on its practices to strengthen its corporate governance practice and internal control. The policies and procedures, and internal control systems of the Group are reviewed and improved by management on an annual basis.

The Group shall continue to file and renew patents for its products. This boosts our library of patents granted worldwide. Our seven categories of patented core technology solutions registered in around 26 countries are as follows:

(1) Wireless solutions
(2) Thumbdrive solutions
(3) Anti-piracy
(4) Security/Encryption
(5) Centralised Management System ("CMS")
(6) Portable Storage Solutions encompassing Flash Memory
(7) PC and Mobile Apps

# SUSTAINABILITY REPORT

**2.2 Shareholders**

Shareholders have taken a stance on corporate issues (i.e. environmental, social, economic) on our business to achieve sustainable success. Timely communication of information to shareholders on the activities and development of the Group is essential to ensure that the Group is geared for long-term stability and resilience of ecosystems. Shareholders shall be kept informed of its interests in the Group eg. vision and future potentials, product developments, financial performance and the company's competitive position.

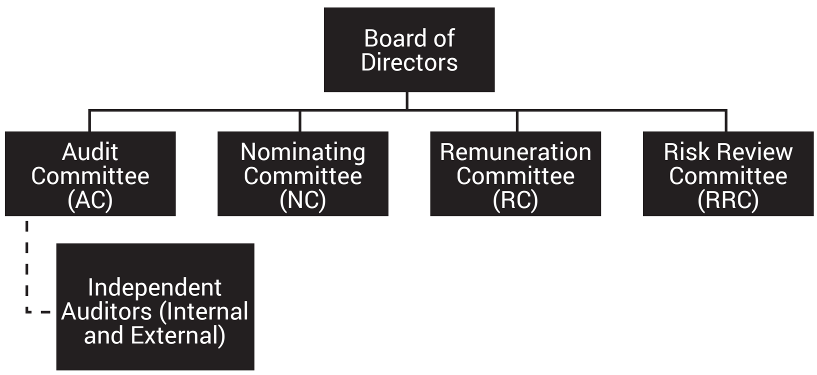
**2.3 Board of Directors ("BOD")**

The Board of Directors ("BOD") has oversight of the Group's sustainability strategy. It is the decision-making body for corporate strategy and considers sustainability issues as part of its strategy formulation. The Board's responsibilities include providing guidance on the material environmental, social and governance (ESG) factors that affect the Group's sustainability.

The BOD meets with management on a regular basis and understands the affairs of the company, and guide the management towards the Group's sustainability strategy. The management will consult and work with the BOD and its committees on such matters.

The appointment of 2 Executive Directors and 3 Non-executive Directors from diverse business and professional background helps to maintain an effective board. By having board diversity with different expertise, relevant skills and experience, the Group is better governed. The Group will continue to appoint suitable directors if this appointment helps to improve the strategic direction of the Group.

The committees set up to support the BOD are as follows.




**Sustainable Operations**

In a sustainable operation, retaining key personnels is critical in gaining competitive advantage. The Group structures its management team by giving priority to internal promotion of managers and integrate training that develops employees toward long-term career growth to help the company increases its competitiveness. The Group also practices salary benchmarking with current market rates to provide competitive compensation package for staff.

As for Research and Development ("R&D") personnels, which are clustered by projects, in-house training is provided to keep the team updated on every new project and on advancement in technology. When a project is beyond the competency of our R&D team, the Group employs experts in the relevant fields to help the Group to grow.

The Group sets up R&D centres in various countries to tap on the expertise of good R&D staff in the global market. Different R&D projects are assigned to these R&D centres based on the competency of the R&D staff. The Group continues to recruit good staff with the level of competency required to help the company innovates new products.

# SUSTAINABILITY REPORT

**3.1 Safe Operations**

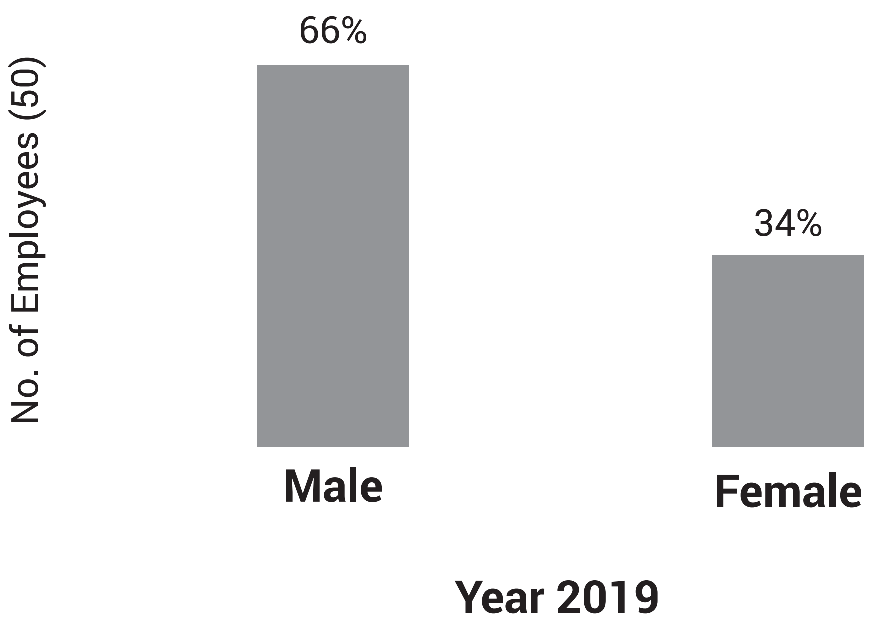
We practise and promote safe working environment in our workplace. Health and safety are top priority of our staff and we strive to achieve zero-accident in the workplace.

In our obligation to promote safety in our workplace, we comply to the annual requirements of the Ministry of Manpower ("MOM").

**3.2 Caring for Employees**

The Group employs different gender and nationality to promote regional growth and workplace diversification. This helps to provide a diverse collection of communication skills and experience to provide excellent customer service globally. In addition, the diversity helps promote diverse ideas and strategies for us to better meet the needs of consumers and, innovations of existing and new markets.

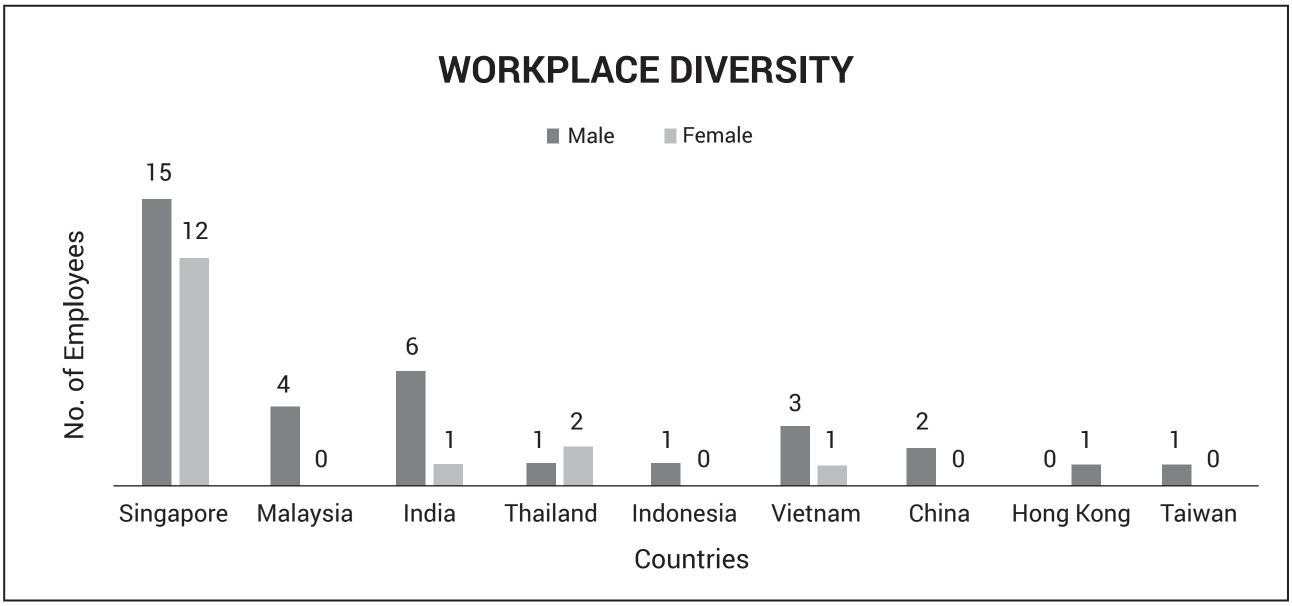
## RATIO OF MALE TO FEMALE EMPLOYEES




**The graph above denotes the gender ratio in their workforce.*

# SUSTAINABILITY REPORT

**3.2 Caring for Employees (Cont'd)**




**The gender ratio is further broken down by the nationality of the employees.*

In creating a motivated, skilled and competitive workforce, the Group is committed to providing training and opportunity for career enhancement to employees. A training road map is set up to develop employees with the skills they need to make positive contribution to the company and promote their career progression.

The Research and Development ("R&D") Head attends external trainings and seminars, and conducts in-house training to effectively increase our R&D effort. In addition, the skills and expertise of our staff are also improved.

The Group sets Key Performance Index (KPIs) for staff on annual basis. Performance assessment on employees are conducted annually in a constructive and objective manner. Staff's performance and recognition are also made known to employees during this assessment.

**Sustainable Products**

Our sustainability-driven innovation includes developing new products and services, developing new technology that disrupts the market, finding new applications for current services and products, changing existing business processes, and changing management techniques for environmental, social, and financial benefits.

Consumers support eco-friendly products. Creating eco-friendly products require increasing the customer value proposition and good users' experience. The foundations of product excellence lie within the product innovation priorities. The Group has identified product innovation and excellence that can improve daily lives of the consumers. Prioritising the customers' needs, the Group provides immediate assistance to look into their feedback and resolve any product issues brought up by customers on a timely manner. In addition, there are dedicated hotline and sales personnel to manage a spectrum of enquiries, ranging from technical support for our products to customer related feedbacks or complaints. These initiatives are taken to foster good relationships between the Group and its stakeholders, and to increase the loyalty and trust of our customers.

**4.1 Product innovation**

In the era of advanced technology, consumers are more connected and constantly share information online. It is through online feedback that we capture the customers' data on either mobile devices or internet providers, resulting in an increasing awareness of privacy protection.

# SUSTAINABILITY REPORT

**4.1 Product innovation (cont'd)**

The Group recognizes the potential business markets surrounding privacy protection. Being a pioneer in this area of expertise, we have developed security solutions for mobile storage to ensure that our product can meet the security needs of our target consumers. Example of this is our Encrypted Thumbdrives – Thumbdrive Crypto.

Convenience and ease of use of our products also increase the acceptance of our products in the market. Examples of this are our Smart Diapers, Smart Socks, Ai-Ball, etc.

Being a global industry innovator, the focus of the Group lies with our Research and Development capabilities to relentlessly innovate. The Group is focused on its latest innovation initiative in Medical Technology ("MedTech") and artificial intelligence. For maximum utilization, the Group incorporates updated technologies such as cloud and medical technologies.

**4.2 Managing productivity and capital**

Efficiency is one of the factors that we inculcate in our staff. The Group sets KPIs for their employees to achieve. This is to ensure that the Group effectively accomplishes their key objectives within our resources.

Staff is encouraged to set KPIs that are SMART (Specific, Measurable, Achievable, Realistic and Timely) and to align their KPIs to the goals of the Group. This allows goal congruence and makes the KPIs relevant to the Group. The Group looks at employees as human capital that can be developed to contribute and strengthen the business of the Group. Staff is rewarded on achieving the KPIs. Training and staff developments are made based on the staff's strengths and potentials, and the Group takes the effort to groom them for higher responsibilities.

**Sustainable World**

We create innovative products and technologies that exceeds current technologies. Many of our products set the standards for similar products in the market.

**5.1 Contributing to Greener World**

It is part of our goals to contribute to a greener world and make our products environmentally acceptable.

In addition, the Group is always looking to help the environment by reducing paper usage as we move towards a cloud platform in data collection and exchanging and storage of data. Other measures adopted include proper disposal of R&D consumables and, changing to eco-saver office equipment to reduce energy consumption and carbon footprints.

We hope to continue to contribute to a greener and healthier environment.

**5.2 Supporting Local Communities**

The Group would like to contribute to society in a meaningful way. Some of the social organizations that we support are as follows:

- Ren Ci Hospital
- Amitabha Buddhist Center
- Cheng Hong Welfare Service Society 13th Anniversary Charity Dinner
- Kidney Dialysis Centre
- National University of Singapore
- Seapharm
- Genomic Medicine Conference

The Group is always looking to continue to give back to society and build a better tomorrow in a gracious way.

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2019*

We submit this annual report to the members together with the audited consolidated financial statements of Trek 2000 International Ltd (the "Company") and its subsidiaries (the "Group") and statement of financial position of the Company for the financial year ended 31 December 2019.

In our opinion,

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**Names of directors**

The directors of the Company in office at the date of this statement are:

Khor Peng Soon (Non-Independent Non-Executive Chairman)
Tan Joon Yong, Wayne (Group President and Executive Director)
Kuan Mun Kwong (Executive Director)
Chay Yee Meng (Independent Non-Executive Director)
Kwek Swee Heng (Independent Non-Executive Director)

**Arrangements to acquire shares, debentures or options**

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares, debentures or options of the Company or any other corporate body, other than as disclosed in this statement.

**Directors' interests in shares, debentures or options**

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, none of the directors who held office at the end of the financial year had any interest in the shares, debentures or options of the Company or its related corporations except as follows:

| | Holdings registered in the name of director | | Holdings in which director is deemed to have an interest | |
|---|---|---|---|---|
| | As at 1.1.2019 | **As at 31.12.2019 and 21.1.2020#** | As at 1.1.2019 | **As at 31.12.2019 and 21.1.2020#** |
| The Company | | | | |
| *Ordinary shares* | | | | |
| Tan Joon Yong, Wayne | 2,371,176 | **2,371,176** | 1,839,250 | **1,839,250** |
| Chay Yee Meng | 998,000 | **998,000** | 625,000 | **625,000** |
| Kwek Swee Heng | – | **–** | 369,000 | **456,000** |
| *Share options* | | | | |
| Khor Peng Soon | 90,000 | **90,000** | – | **–** |

# There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2019*

**Share options**

The Trek 2000 International Ltd Share Option Scheme 2011 (the "ESOS") was approved by shareholders at an extraordinary general meeting held on 21 April 2011 to replace the Trek 2000 International Ltd Share Option Scheme.

The ESOS caters to participants, who are selected full-time employees, executive directors and non-executive directors of the Group.

Under the ESOS, all options to be issued will have a term no longer than ten years from the date of grant, except for directors who do not hold executive functions, for which, the options issued will have a term no longer than five years from the date of grant.

The ESOS is administered by the Remuneration Committee which comprises the following directors:

Khor Peng Soon (Chairman)
Chay Yee Meng
Kwek Swee Heng

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any rights to participate in any share issues of any other company in the Group.

During the financial year ended 31 December 2019, no options were granted under the ESOS to subscribe for ordinary shares, and no options were exercised under the ESOS to subscribe for ordinary shares.

Details on outstanding options to subscribe for ordinary shares as at 31 December 2019 are found in Note 25 to the financial statements.

Directors' share options under the ESOS are as follows:

| Name of director | Balance as at 1.1.2019 | Options cancelled or lapsed | Options exercised | Balance as at 31.12.2019 | Exercise price per option | Exercisable period |
|---|---|---|---|---|---|---|
| Khor Peng Soon | 90,000 | – | – | 90,000 | 0.362 | 10.2.2016 to 10.2.2020 |

**Audit Committee**

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

(a) Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

(b) Reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;

(c) Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational, information technology system control and security, and compliance controls and risk management via reviews carried out by the internal auditor;

(d) Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that they believe should be discussed privately with the Audit Committee;

(e) Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(f) Reviewed the cost effectiveness and the independence and objectivity of the external auditor, and the nature and extent of non-audit services provided by the external auditor;

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2019*

**Audit Committee (cont'd)**

(g) Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(h) Reported actions and minutes of the Audit Committee to the board of directors with such recommendations as the Audit Committee considered appropriate; and

(i) Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The Audit Committee, having reviewed the external auditor's non-audit services (if any), was of the opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee has met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further information regarding the Audit Committee are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

**Independent auditor**
The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

............................................................................

TAN JOON YONG, WAYNE

Group President and Executive Director

............................................................................

KUAN MUN KWONG

Executive Director

8 June 2020

# INDEPENDENT AUDITOR'S REPORT

*to the members of Trek 2000 International Ltd*

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited 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 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

As disclosed in Note 2(e) to the financial statements, the Company announced in previous years that several former key executives of the Company were assisting the Commercial Affairs Department in the investigations on a possible offence under the Penal Code. An external professional firm was appointed by the Company in previous years to conduct an independent review of the matters under investigation, and a report (the "Phase 2 Report") was issued in 2018, in which seven issues were raised and the possible financial impact in respect of each issue were assessed and quantified. The directors and management of the Company have confirmed that all issues identified in the Phase 2 Report have been considered and accounted for. The remaining balance of US$509,634 arising from the issues is recorded as other creditors in trade and other payables as disclosed in Note 16 to the financial statements. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**<u>Fair value of unquoted equity investments (refer to Note 8 to the financial statements)</u>**

As at 31 December 2019, the Group and the Company have unquoted equity investments at fair value through other comprehensive income ("FVOCI") of US$1,323,337, after changes in fair value of US$2,681,663 recognised in other comprehensive income for the financial year ended 31 December 2019. Management has engaged an independent professional valuer ("management's expert") to determine the fair values of the unquoted equity investments at FVOCI. The fair value of the unquoted equity investments at FVOCI is considered to be a key audit matter due to the judgements applied and the assumptions and estimates used in the determination of the fair values of the investments, and the significance of the fair value changes of the investments in the Group's comprehensive income.

As part of our audit of the fair value of the unquoted investments at FVOCI, we assessed the methodologies and appropriateness of the key assumptions used by the management's expert. We gained understanding of and reviewed the assumptions in the input data from management and the management's expert through discussions, comparisons to industry peers, historical trends and independent external data sources, and reference to supporting documentation. We evaluated the competence, capabilities and objectivity of the management's expert. We also involved an auditor's expert to assist us in the aforementioned. We evaluated the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the work performed by the management's expert and auditor's expert. In addition, we considered the adequacy of disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

*to the members of Trek 2000 International Ltd*

**Net realisable value of inventories (refer to Note 9 to the financial statements)**

As at 31 December 2019, the Group has gross inventories of US$5,604,465, with allowance for slow-moving and obsolete inventories of US$1,606,218. Inventories comprise raw materials and finished products. The determination of write-down on inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of net realisable values to determine an appropriate level of allowance required. This process also involves management to consider the price protection arrangements with certain key suppliers, adding complexity to the process. In addition, this process is subject to uncertainty arising from rapid technological changes, given the nature of the Group's inventories. As such, we have determined that this is a key audit matter.

As part of our audit of the carrying amount of inventories, we evaluated the analyses and assessments made by management with respect to the carrying amount and the identification of slow-moving and obsolete inventories and the expected demand and net realisable value of the inventories. We tested the net realisable values of the inventories on a sample basis by comparing the carrying values of the inventories to the latest selling prices. We attended and observed management's physical stock count process, including identification of slow-moving and obsolete inventories. We also inquired management to obtain an understanding of the terms of the price protection arrangement that the Group has entered with its suppliers. In addition, we assessed the adequacy of disclosures in the financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

# INDEPENDENT AUDITOR'S REPORT

*to the members of Trek 2000 International Ltd*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore

8 June 2020

# STATEMENTS OF FINANCIAL POSITION
*as at 31 December 2019*

| | Note | The Group 2019 US$ | The Group 2018 US$ | The Company 2019 US$ | The Company 2018 US$ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | **1,233,998** | 1,309,383 | **1,198** | 2,728 |
| Right-of-use assets | 4 | **254,273** | – | **–** | – |
| Intangible assets | 5 | **633,244** | 1,366,979 | **172,970** | 176,844 |
| Subsidiaries | 6 | **–** | – | **1,583,734** | 1,583,735 |
| Associates | 7 | **–** | – | **5,407** | 5,407 |
| Other investments | 8 | **9,265,695** | 10,570,526 | **9,265,695** | 10,570,526 |
| | | **11,387,210** | 13,246,888 | **11,029,004** | 12,339,240 |
| **Current Assets** | | | | | |
| Other investments | 8 | **16,919,521** | 6,429,630 | **16,919,521** | 6,429,630 |
| Inventories | 9 | **3,998,247** | 3,395,690 | **–** | – |
| Trade and other receivables | 10 | **1,225,916** | 674,759 | **127,803** | 5,135,140 |
| Prepayments | | **45,832** | 107,628 | **3,534** | 54,293 |
| Cash and cash equivalents | 11 | **16,677,984** | 25,689,899 | **11,832,923** | 7,471,201 |
| | | **38,867,500** | 36,297,606 | **28,883,781** | 19,090,264 |
| **Total assets** | | **50,254,710** | 49,544,494 | **39,912,785** | 31,429,504 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 12 | **37,828,941** | 37,828,941 | **37,828,941** | 37,828,941 |
| Treasury shares | 12 | **(506,550)** | (321,886) | **(506,550)** | (321,886) |
| Reserves | 13 | **3,473,356** | 6,826,367 | **(6,721,308)** | (6,549,119) |
| **Equity attributable to owners of the Company** | | **40,795,747** | 44,333,422 | **30,601,083** | 30,957,936 |
| Non-controlling interests | | **862,390** | 1,295,920 | **–** | – |
| **Total equity** | | **41,658,137** | 45,629,342 | **30,601,083** | 30,957,936 |
| **Non-Current Liabilities** | | | | | |
| Lease liabilities | 14 | **103,156** | – | **–** | – |
| Deferred tax liabilities | 15 | **42,947** | 25,016 | **–** | – |
| | | **146,103** | 25,016 | **–** | – |
| **Current Liabilities** | | | | | |
| Lease liabilities | 14 | **114,813** | – | **–** | – |
| Trade and other payables | 16 | **5,587,336** | 1,658,113 | **9,311,702** | 471,568 |
| Provisions | 17 | **1,200,000** | 1,400,000 | **–** | – |
| Current tax payable | | **1,548,321** | 832,023 | **–** | – |
| | | **8,450,470** | 3,890,136 | **9,311,702** | 471,568 |
| **Total liabilities** | | **8,596,573** | 3,915,152 | **9,311,702** | 471,568 |
| **Total equity and liabilities** | | **50,254,710** | 49,544,494 | **39,912,785** | 31,429,504 |

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the financial year ended 31 December 2019*

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **US$** | US$ |
| Revenue | 18 | **25,045,256** | 30,079,675 |
| Cost of sales | | **(24,381,428)** | (28,965,866) |
| Gross profit | | **663,828** | 1,113,809 |
| Other income | 19 | **2,152,703** | 1,170,966 |
| Research and development expenses | | **(1,412,347)** | (1,299,701) |
| Marketing and distribution expenses | | **(1,465,735)** | (1,276,805) |
| Impairment losses on trade receivables reversed | | **25,541** | 49,497 |
| Administrative expenses | | **(1,238,902)** | (2,042,956) |
| Other operating expenses | 20 | **–** | (830,437) |
| Finance cost | 21 | **(9,970)** | – |
| Loss before taxation | 22 | **(1,284,882)** | (3,115,627) |
| Taxation | 23 | **(72,378)** | (608,382) |
| **Loss for the year** | | **(1,357,260)** | (3,724,009) |
| | | | |
| **Other comprehensive income/(loss):** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Equity investments at FVOCI - net change in fair value | | **(2,681,663)** | – |
| | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Debt investments at FVOCI - net change in fair value | | **893,075** | (1,051,438) |
| Debt investments at FVOCI - reclassified to profit or loss | | **(188,773)** | 110,796 |
| Foreign currency translation differences on consolidation | | **39,559** | 95,613 |
| | | **743,861** | (845,029) |
| **Other comprehensive loss for the year, net of tax of nil** | | **(1,937,802)** | (845,029) |
| **Total comprehensive loss for the year** | | **(3,295,062)** | (4,569,038) |
| | | | |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(1,359,160)** | (3,687,058) |
| Non-controlling interests | | **1,900** | (36,951) |
| | | **(1,357,260)** | (3,724,009) |
| | | | |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(3,296,962)** | (4,532,087) |
| Non-controlling interests | | **1,900** | (36,951) |
| | | **(3,295,062)** | (4,569,038) |
| | | | |
| **Loss per share (US cents)** | | | |
| - Basic and diluted | 24 | **(0.42)** | (1.14) |

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the financial year ended 31 December 2019*

| | Share capital US$ | Treasury shares US$ | Retained earnings US$ | Capital reserve US$ | Revaluation reserve US$ | Fair value reserve US$ | Share option reserve US$ | Foreign currency translation reserve US$ | Other reserves US$ | Total attributable to owners of the Company US$ | Non-controlling interests US$ | Total equity US$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 37,828,941 | (262,755) | 8,598,305 | 2,716,551 | 1,055,596 | 563,691 | 810,143 | (25,127) | 56,087 | 51,341,432 | 1,332,871 | 52,674,303 |
| Loss for the year | – | – | (3,687,058) | – | – | – | – | – | – | (3,687,058) | (36,951) | (3,724,009) |
| Other comprehensive (loss)/ income for the year | – | – | – | – | – | (940,642) | – | 95,613 | – | (845,029) | – | (845,029) |
| **Total comprehensive (loss)/ income for the year** | – | – | (3,687,058) | – | – | (940,642) | – | 95,613 | – | (4,532,087) | (36,951) | (4,569,038) |
| **Contributions by and distributions to owners** | | | | | | | | | | | | |
| Dividends paid (Note 33) | – | – | (2,416,792) | – | – | – | – | – | – | (2,416,792) | – | (2,416,792) |
| Purchase of treasury shares (Note 12) | – | (59,131) | – | – | – | – | – | – | – | (59,131) | – | (59,131) |
| **Transactions with owners in their capacity as owners** | – | (59,131) | (2,416,792) | – | – | – | – | – | – | (2,475,923) | – | (2,475,923) |
| **Balance at 31 December 2018** | 37,828,941 | (321,886) | 2,494,455 | 2,716,551 | 1,055,596 | (376,951) | 810,143 | 70,486 | 56,087 | 44,333,422 | 1,295,920 | 45,629,342 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the financial year ended 31 December 2019*

| | Share capital US$ | Treasury shares US$ | Retained earnings US$ | Capital reserve US$ | Revaluation reserve US$ | Fair value reserve US$ | Share option reserve US$ | Foreign currency translation reserve US$ | Other reserves US$ | Total attributable to owners of the Company US$ | Non-controlling interests US$ | Total equity US$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | 37,828,941 | (321,886) | 2,494,455 | 2,716,551 | 1,055,596 | (376,951) | 810,143 | 70,486 | 56,087 | 44,333,422 | 1,295,920 | 45,629,342 |
| Adjustment on application of SFRS(I) 16 | – | – | **(6,720)** | – | – | – | – | – | – | **(6,720)** | – | **(6,720)** |
| **Adjusted balance at 1 January 2019** | **37,828,941** | **(321,886)** | **2,487,735** | **2,716,551** | **1,055,596** | **(376,951)** | **810,143** | **70,486** | **56,087** | **44,326,702** | **1,295,920** | **45,622,622** |
| Loss for the year | – | – | **(1,359,160)** | – | – | – | – | – | – | **(1,359,160)** | **1,900** | **(1,357,260)** |
| Other comprehensive (loss)/ income for the year | – | – | – | – | – | **(1,977,361)** | – | **39,559** | – | **(1,937,802)** | – | **(1,937,802)** |
| **Total comprehensive (loss)/ income for the year** | – | – | **(1,359,160)** | – | – | **(1,977,361)** | – | **39,559** | – | **(3,296,962)** | **1,900** | **(3,295,062)** |
| **Contributions by and distributions to owners** | | | | | | | | | | | | |
| Purchase of treasury shares (Note 12) | – | **(184,664)** | – | – | – | – | – | – | – | **(184,664)** | – | **(184,664)** |
| Expiry of share options | – | – | **207,470** | – | – | – | **(207,470)** | – | – | – | – | – |
| Payment to non-controlling interests for capital reduction in a subsidiary | – | – | – | – | – | – | – | – | – | – | **(484,759)** | **(484,759)** |
| Adjustment to non-controlling interests | – | – | – | – | – | – | – | – | **(49,329)** | **(49,329)** | **49,329** | – |
| **Transactions with owners in their capacity as owners** | – | **(184,664)** | **207,470** | – | – | – | **(207,470)** | – | **(49,329)** | **(233,993)** | **(435,430)** | **(669,423)** |
| **Balance at 31 December 2019** | **37,828,941** | **(506,550)** | **1,336,045** | **2,716,551** | **1,055,596** | **(2,354,312)** | **602,673** | **110,045** | **6,758** | **40,795,747** | **862,390** | **41,658,137** |

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*for the financial year ended 31 December 2019*

| | Note | 2019 US$ | 2018 US$ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss before taxation | | **(1,284,882)** | (3,115,627) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 5 | **36,586** | 547,401 |
| Depreciation of property, plant and equipment | 3 | **167,508** | 250,612 |
| Depreciation of right-of-use assets | 4 | **148,006** | – |
| Development costs written off | 5 | **919,981** | – |
| Net change in fair value of investments at FVTPL | 19/20 | **(598,559)** | 455,202 |
| Net (gain)/loss on disposal of debt investments at FVOCI | 19/20 | **(71,729)** | 164,245 |
| Gain on disposal of property, plant and equipment | 19 | **(24,320)** | (319) |
| Impairment losses on trade receivables reversed | 10 | **(25,541)** | (49,497) |
| Interest expense on lease liabilities | 21 | **9,970** | – |
| Interest income | 19 | **(997,093)** | (1,129,263) |
| Provision reversed | 17 | **(200,000)** | (1,094,452) |
| Write-down on inventories (reversed)/made | 9 | **(842,906)** | 976,284 |
| Operating loss before working capital changes | | **(2,762,979)** | (2,995,414) |
| Changes in inventories | | **240,349** | (3,315,069) |
| Changes in trade and other receivables | | **(522,578)** | 2,628,513 |
| Changes in prepayments | | **61,796** | 45,867 |
| Changes in trade and other payables | | **3,929,223** | (2,291,472) |
| Cash generated from/(used in) operations | | **945,811** | (5,927,575) |
| Interest received from short-term deposits | | **433,596** | 501,055 |
| Income taxes refunded/(paid) | | **661,842** | (1,745,833) |
| **Net cash generated from/(used in) operating activities** | | **2,041,249** | (7,172,353) |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Interest received from quoted debt investments | | **560,459** | 769,971 |
| Payments for intangible assets | 5 | **(222,832)** | (219,001) |
| Payments for right-of-use assets | 4 | **(42,456)** | – |
| Proceeds from disposal of property, plant and equipment | | **55,825** | 747 |
| Proceeds from disposal of other investments | | **8,157,679** | 7,744,480 |
| Purchase of other investments | | **(18,649,812)** | (9,900,883) |
| Purchase of property, plant and equipment | 3 | **(124,284)** | (20,891) |
| **Net cash used in investing activities** | | **(10,265,421)** | (1,625,577) |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Dividends paid | 33 | **–** | (2,416,792) |
| Payment of lease liabilities | | **(158,544)** | – |
| Payment to non-controlling interest for share capital reduction in a subsidiary | | **(484,759)** | – |
| Purchase of treasury shares | | **(184,664)** | (59,131) |
| **Net cash used in financing activities** | | **(827,967)** | (2,475,923) |
| | | | |
| Net decrease in cash and cash equivalents | | **(9,052,139)** | (11,273,853) |
| Exchange differences on translation of cash and cash equivalents | | **40,224** | (14,193) |
| Cash and cash equivalents at beginning of the year | | **25,689,899** | 36,977,945 |
| Cash and cash equivalents at end of the year | 11 | **16,677,984** | 25,689,899 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*for the financial year ended 31 December 2019*

**Reconciliation of movements of liabilities to cash flows arising from financing activities**

| | | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|---|
| | | At 1 January | Cash flows | Adoption of SFRS(I) 16 (Note 2(b)) | New leases | Interest expense | At 31 December |
| **The Group** | Note | US$ | US$ | US$ | US$ | US$ | US$ |
| **2019** | | | | | | | |
| *Liabilities* | | | | | | | |
| Lease liabilities | 14 | – | (158,544) | 224,852 | 141,691 | 9,970 | 217,969 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 1 General information

The financial statements of Trek 2000 International Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in the Republic of Singapore. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 30 Loyang Way, #07-13/14/15, Loyang Industrial Estate, Singapore 508769.

The principal activities of the Company are those of an investment holding company and the ownership of a portfolio of intellectual property. The principal activities of the subsidiaries and associates are disclosed in Note 6 and Note 7, respectively.

## 2(a) Basis of preparation

The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as otherwise described in the notes below.

The financial statements are presented in United States dollar which is the Company's functional currency. All financial information is presented in United States dollar, unless otherwise stated.

**Significant accounting estimates and judgements**

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

**Significant judgements in applying accounting policies**

Determination of functional currency
The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Determination of lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of the properties, office equipment and motor vehicle, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

**2(a) Basis of preparation (cont'd)**

**Significant judgements in applying accounting policies (cont'd)**

Capitalisation of development costs
It is the Group's policy to capitalise development expenditure and to amortise the expenditure over the estimated life of the related project. Initial capitalisation of costs is based on management's judgement that technological and economical feasibilities are confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Significant judgement is also applied by management in (i) identifying separately the expenditure incurred during the research phase and development phase of the project; (ii) demonstrating that the criteria for the development expenditure to be recognised as intangible assets are met, including the intention and availability of adequate technical, financial and other resources to complete the project and sell the products, and the ability to measure reliably the development expenditure; and (iii) determining that the development expenditure are directly attributable costs. The carrying amount of the Group's intangible assets (comprising development costs) at the end of the reporting period is disclosed in Note 5 to the financial statements.

Impairment of investments in subsidiaries
The Company assesses at the end of each reporting period whether there is any indication that its investments in subsidiaries may be impaired. If any indication exists, the investment in subsidiary is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs of disposal of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs of disposal requires the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's investments in subsidiaries at the end of the reporting period is disclosed in Note 6 to the financial statements.

Income taxes
The Group has exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred taxation at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 15 and Note 23 to the financial statements, respectively.

**Significant accounting estimates and assumptions used in applying accounting policies**

Revaluation of freehold and leasehold properties
The Group carries its freehold and leasehold properties at fair value, with the change in fair value being recognised in other comprehensive income. The Group engages a firm of independent professional valuation experts to assess the fair value at the end of each reporting period. The fair value of the properties is determined by the independent professional valuers using recognised valuation techniques. These techniques comprise both the market approach and income approach. The carrying amount of the freehold and leasehold properties at fair value and the valuation techniques and inputs used to determine the fair value of the properties at the end of the reporting period are provided in Note 3 and Note 32 to the financial statements, respectively.

Depreciation of property, plant and equipment
The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. Management estimates the useful lives of property, plant and equipment to be within 3 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period are disclosed in Note 3 to the financial statements. The estimation of useful lives is based on assumptions about wear and tear, ageing, changes in demand and the Group's historical experience with similar assets. The Group performs annual

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(a) Basis of preparation (cont'd)**

**Significant accounting estimates and assumptions used in applying accounting policies (cont'd)**

Depreciation of property, plant and equipment (cont'd)
reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by US$16,751 (2018: US$25,061).

Estimation of incremental borrowing rate
For the purpose of calculating right-of-use asset and lease liability, the Group applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the Group uses its incremental borrowing rate ("IBR") applicable to the lease asset. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amount of the Group's right-of-use assets and lease liabilities are disclosed in Note 4 and Note 14 to the financial statements, respectively.

Fair value of unquoted equity investments
Unquoted equity investments are stated at fair value through other comprehensive income ("FVOCI"). If the market for a financial asset is not active or not available, the fair value is established by using valuation techniques, such as the expected selling price involving identical or similar assets and transactions, or present value based on discounted cash flows reflecting the investee's specific circumstances. Considerable subjective judgement is required in selecting the suitable valuation techniques and methodologies, choosing the appropriate comparables, and estimating the expected future cash flows, growth rate and discount rate. The carrying amount of the Group's and the Company's unquoted equity investments at FVOCI at the end of the reporting period, and the basis and assumptions used to measure fair value, are disclosed in Note 8 and Note 32 to the financial statements, respectively.

Allowance for slow-moving and obsolete inventories
The Group measures inventories at the lower of cost and net realisable value. The Group records a write-down for inventories of components and products which have become obsolete or are in excess of anticipated demand or net realisable value. Management performs a detailed assessment of inventory at the end of each reporting period to establish allowance for excess and obsolete inventories. Management's evaluation includes a review of, amongst other factors, the historical sale, current economic and technological trends, forecasted sales, demand requirements, product life cycle, quality issues and current inventory levels. The market for the Group's inventories is subject to a rapid and unpredictable pace of product and component obsolescence and demand changes. If future demand or market conditions for the Group's products are less favourable than forecasted or if unforeseen technological changes negatively impact the utility of the Group's inventories, the Group may be required to record write-downs which would negatively affect gross margins in the period when the write-downs are recorded and the Group's operating results and financial position could be adversely affected. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 9 to the financial statements. A 5% decrease/increase in the net realisable values of inventories would decrease/increase the Group's results for the year by US$199,912 (2018: US$169,785).

Provision for expected credit losses of trade and other receivables
The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At the end of each reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's and the Company's trade and other receivables is disclosed in Note 29.1. If the loss rates increase/decrease by 10% from management's estimates, the Group's allowance for impairment of trade receivables from third parties will increase/decrease by US$10,267 (2018: US$12,112).

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(a) Basis of preparation (cont'd)**

**Significant accounting estimates and assumptions used in applying accounting policies (cont'd)**

Provision for warranty
The Group provides warranty on products and undertakes to repair or replace items that fail to perform satisfactorily. The provision is calculated based on past historical experience of the level of repairs and replacements. The actual product replacement may differ, and in those case, the Group adjusts its provision for warranty. The carrying amount of the Group's provision for warranty at the end of the reporting period is disclosed in Note 17 to the financial statements. If the provision for warranty increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by US$30,000 (2018: US$50,000).

**2(b) Adoption of new and revised SFRS(I) effective in 2019**

On 1 January 2019, the Group adopted the following SFRS(I) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I).

| **Reference** | **Description** |
|---|---|
| SFRS(I) 16 | Leases |
| SFRS(I) INT 23 | Uncertainty over Income Tax Treatments |
| Amendments to SFRS(I) 1-19 | Plan Amendment, Curtailment or Settlement |
| Amendments to SFRS(I) 1-28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to SFRS(I) 9 | Prepayment Features with Negative Compensation |
| Annual Improvements to SFRS(I)s 2015-2017 Cycle: | |
| - Amendments to SFRS(I) 3 and SFRS(I) 11 | Previously Held Interest in a Joint Operation |
| - Amendments to SFRS(I) 1-12 | Income Tax Consequences of Payments on Financial Instruments Classified as Equity |
| - Amendments to SFRS(I) 1-23 | Borrowing Costs Eligible for Capitalisation |

The adoption of these new and amended SFRS(I) did not result in substantial changes to the Group's accounting policies or have any significant impact on these financial statements, except for the following:

**SFRS(I) 16 *Leases***
SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the financial statements is discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected to transition to SFRS(I) 16 using the modified retrospective approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

Definition of a lease
The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(b) Adoption of new and revised SFRS(I) effective in 2019 (cont'd)**

**SFRS(I) 16 *Leases* (cont'd)**
Definition of a lease (cont'd)
The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

Lessee accounting
*Former operating leases*
Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for warehouse and other office premises and office equipment were not recognised as liabilities in the consolidated statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the consolidated statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the consolidated statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the consolidated statement of cash flows.

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I)1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the cumulative catch-up approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis, at the carrying amount as if SFRS(I) 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate for the underlying lease asset instead of the interest rate implicit in the lease;
- applies SFRS(I) 1-36 *Impairment of Assets* to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

**2(b) Adoption of new and revised SFRS(I) effective in 2019 (cont'd)**

**SFRS(I) 16 *Leases* (cont'd)**
Deferred tax effects on adoption of SFRS(I) 16
In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability.

Financial impact of initial application of SFRS(I) 16
The Group's weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the consolidated statement of financial position on 1 January 2019 is 5%.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

| **The Group** | Increase/ (Decrease) US$ |
|---|---|
| Right-of-use assets | 218,132 |
| Lease liabilities | 224,852 |
| Retained earnings | (6,720) |

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements for the financial year ended 31 December 2018 and the Group's lease liabilities recognised in the consolidated statement of financial position on 1 January 2019 is as follows:

| **The Group** | 1 January 2019 US$ |
|---|---|
| Operating lease commitments as at 31 December 2018 as disclosed under SFRS(I) 1-17 in the financial statements (Note 27) | 237,381 |
| Effect of discounting using the incremental borrowing rate at 1 January 2019 | (12,529) |
| Lease liabilities recognised at 1 January 2019 | 224,852 |

**SFRS(I) INT 23 Uncertainty over Income Tax Treatments**
The interpretation addresses the determination of the accounting tax position when there is uncertainty over income tax treatments under SFRS(I) 1-12 Income Taxes. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

An entity applies the interpretation for annual reporting periods beginning on or after 1 January 2019. The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(c) New standards and interpretations not yet adopted**

The following are the new or amended SFRS(I) and SFRS(I) INT issued that are not yet effective but may be early adopted for the current financial year. However, the Group has not early adopted the new or amended SFRS(I) and SFRS(I) INT in preparing these financial statements:

| Reference | Description | Effective date (Annual periods beginning on or after) |
|---|---|---|
| SFRS(I) 17 | Insurance Contracts | 1 January 2021 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 | Definition of Material | 1 January 2020 |
| Amendments to SFRS(I) 3 | Definition of a Business | 1 January 2020 |
| Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 | Interest Rate Benchmark Reform | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| Various | Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |

Management does not anticipate that the adoption of the above SFRS(I) in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

**Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material***
The amendments clarify the definition of material and how it should be applied by including in the definition guidance. The new definition of material states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

**2(d) Summary of significant accounting policies**

**Consolidation**
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interests even if that results in a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Consolidation (cont'd)**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee, if and only if, the Group has all of the following:

(i) power over the investee;
(ii) exposure, or rights or variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

**Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation, less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

| | |
|---|---|
| Freehold property | 50 years |
| Leasehold properties | Over the term of the lease (30 years) |
| Furniture and fittings | 8 years |
| Renovations | 8 years |
| Office equipment | 6 years |
| Computers | 3 years |
| Motor vehicles | 6 years |
| Plant and machinery | 3 to 16 years |

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the standard of performance of the asset before the expenditure was made will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Property, plant and equipment (cont'd)**

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

Freehold and leasehold properties are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the properties at the end of the reporting period. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

**Intangible assets**

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and they are expensed off in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss under research and development expenses, consistent with the function of the intangible assets. Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise. The Group does not have intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the asset is derecognised.

<u>Research and development costs</u>

Research costs are expensed as incurred. Development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when the development is completed and the asset is available for use. Development costs have a finite useful life and are amortised over the period of expected sales from the related project (ranging from 5 to 20 years) on a straight-line basis. The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the year.

<u>Patents and trademarks</u>

Trademarks and licenses acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised in profit or loss using the straight-line method over 5 to 20 years from the date of commercialism, during which the benefits of the expenditure are expected to arise.

The amortisation period and amortisation method are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Subsidiaries**
In the Company's separate statement of financial position, subsidiaries are stated at cost less accumulated allowance for any impairment losses on an individual subsidiary basis.

**Associates**
An associate is defined as a company, not being a subsidiary or jointly controlled entity, in which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates at the company level are stated at cost. Allowance is made for any impairment losses on an individual company basis.

In applying the equity method of accounting, the Group's share of the post-acquisition profit or loss of the associates, based on the latest available audited financial statements, is included in profit or loss and its shares of post-acquisition other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed, for example, in the forms of loans. When the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of profits equals the share of net losses previously recognised.

The Group's share of the net assets and post-acquisition retained earnings and reserves of associates is reflected in the book values of the investments in the consolidated statement of financial position.

**Financial instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Financial assets**
<u>Initial recognition and measurement</u>
Financial assets are recognised when, and only when, the Group becomes party to the contractual provisions of the financial instruments. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. Refer to the accounting policy on "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Financial assets (cont'd)**

Initial recognition and measurement (cont'd)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

*Financial assets at amortised cost (debt instruments)*

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost comprise trade and other receivables (excluding net input GST) and cash and cash equivalents.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

*Financial assets at FVOCI (debt instruments)*

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method which are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

*Financial assets at FVOCI (equity instruments)*

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

Changes in fair value of financial assets at FVOCI recognised in other comprehensive income are never recycled to profit or loss. Dividends are recognised as other income in profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Financial assets (cont'd)**

Subsequent measurement (cont'd)

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. This category also includes equity instruments which the Group had not irrevocably elected to classify at FVOCI. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument financial assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

For trade receivables, the Group measures the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables and debt instruments at FVOCI, loss allowance is measured at an amount equal to 12-month ECLs. The 12-month ECLs are estimated by reference to the track record of the counterparties and their business and financial conditions, and also for debt instruments at FVOCI, the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and various external sources of actual and forecast economic information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Financial assets (cont'd)**

Impairment of financial assets (cont'd)
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities**
Initial recognition and measurement
Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group's financial liabilities comprise lease liabilities and trade and other payables (excluding net output GST).

Subsequent measurement
After initial recognition, financial liabilities that are not carried at fair value through profit or loss, such as interest-bearing borrowings, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash and bank balances and short-term deposits.

**Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

**Treasury shares**
When the Company purchases its own ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Treasury shares (cont'd)**
When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury shares account, and the realised gain or loss on sale, net of any directly attributable incremental transaction costs and related income tax, is recognised in a separate reserve of the Company.

**Dividends**
Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

**Provisions**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Present obligations arising from onerous contracts are recognised as provisions.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

<u>Provision for warranty</u>
The Group provides warranties for general repairs of defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

**Leases (from 1 January 2019)**
<u>The Group as a lessee</u>
The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease (including extension option) unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

*Lease liability*
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Leases (from 1 January 2019) (cont'd)**

<u>The Group as a lessee (cont'd)</u>

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

*Right-of-use asset*

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

| | |
|---|---|
| Properties | 2 to 3 years |
| Office equipment | 5 years |
| Motor vehicle | 5 years |

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

**Leases (from 1 January 2019)**

<u>The Group as a lessee</u>

*Operating lease*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

**Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Leases (from 1 January 2019) (cont'd)**

**Income taxes (cont'd)**
Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

**Employee benefits**
Pension obligations
The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. Pension contributions are provided at rates stipulated by the regulations and are contributed to pension funds managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Company and its Singapore-incorporated subsidiaries make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements
Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Employee Share Option Scheme
The Company has an employee share option scheme for the granting of non-transferable options.

The Group issues equity-settled share options to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Employee benefits (cont'd)**

Employee Share Option Scheme (cont'd)

Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

The share option reserve is transferred to retained earnings upon expiry of the related options.

**Related parties**

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and the Company if that person:
   (i) has control or joint control over the Company;
   (ii) has significant influence over the Company; or
   (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:
   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) both entities are joint ventures of the same third party.
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
   (vi) the entity is controlled or jointly controlled by a person identified in (a).
   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain management executives are considered key management personnel.

**Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**
**Impairment of non-financial assets (cont'd)**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss, unless it reverses a previous revaluation gain in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

**Revenue from contracts with customers**
Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

<u>Sale of goods</u>
Revenue from sale of goods is recognised at a point in time when the goods are delivered to the customer, all criteria for acceptance have been satisfied, and the customer obtains control of the goods, including the legal title to the goods and the significant risks and rewards of ownership of the goods.

<u>Licensing income</u>
Licensing fees received upfront are recognised on a straight-line basis over the life of the agreement when the licensee has the right to use the technology for a specified period and the Group has remaining obligations to perform. In instances where the Group has no remaining obligations to perform, the licensing fees received upfront are recognised at the time of receipt.

When licensing fees to be received are contingent on the occurrence of a future event, the licensing fees are recognised at their fair value when there is a reasonable assurance that the licensing income will be received, which is normally when the event has occurred.

**Interest income**
Interest income is recognised as it accrues in profit or loss, using the effective interest method.

**Government grants**
Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(d) Summary of significant accounting policies (cont'd)**

**Functional currencies**

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in United States dollar, which is also the functional currency of the Company.

**Conversion of foreign currencies**

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised as other comprehensive income in the foreign currency translation reserve in equity.

**Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group President and Executive Director who is the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 28 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

**Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held, for the effects of all dilutive potential ordinary shares which comprise share options granted to employees.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**2(e) Update of previous years' Commercial Affairs matters**

As reported in previous financial years, on 25 February 2016, the Company announced that its Board of Directors had, through the Audit Committee, discovered that the Company had entered into certain interested person transactions ("IPTs") with T-Data Systems (S) Pte. Ltd. ("T-Data") from 27 November 2007 to 26 March 2014.

This was followed by the Company receiving a notice from the Commercial Affairs Department on 25 May 2016 informing the Company that it is conducting an investigation into certain transactions undertaken by the Company and has requested for certain information and documents to be provided by the Company.

This led the Company to appoint RSM Corporate Advisory Pte Ltd ("RSM") on 8 June 2016 to conduct a forensic financial findings on the IPTs ("IPT Inquiry") followed by a separate report on suspicious transactions and possible round-tripping transactions involving the interested persons (the "Phase 2 Report"). The IPT Inquiry Report was released by the Company via SGXNet on 17 July 2017. The Phase 2 Report was released by the Company via SGXNet on 23 April 2018.

The Company had also received a Notice of Compliance from Singapore Exchange Regulation Pte Ltd ("SGX RegCo") on 26 April 2018 requiring the Company to undertake an independent review of the Company's internal controls and corporate governance practices.

The Company had performed its own investigations since the release of the Phase 2 Report and the Board of Directors had submitted a full written legal representation of the findings with supporting evidence of the SGX RegCo on 5 October 2018. The legal representation was to address the suspicious transactions noted in the Phase 2 Report. The Company had also appointed an external professional firm to undertake an independent review of the Company's internal control and corporate governance practices. The external professional firm had finalised the report on 30 October 2019, and the Company had submitted the report to SGX RegCo.

Charges were made by the Commercial Affairs Department against four former executive officers in September 2019. The charges concerned three issues highlighted in the Phase 2 Report. The cases were mentioned in Court in November 2019. The directors and management of the Company have verified and confirmed that all issues identified in the Phase 2 Report have been considered and the related account balances adjusted in prior years such that there is no impact to the financial statements of the Company and its subsidiaries for the financial years ended 31 December 2018 and 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 3 Property, plant and equipment

| The Group | At valuation | | At cost | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Freehold property US$ | Leasehold properties US$ | Furniture and fittings US$ | Renovations US$ | Office equipment US$ | Computers US$ | Motor vehicles US$ | Plant and machinery US$ | Total US$ |
| Cost or valuation | | | | | | | | | |
| At 1 January 2018 | 630,699 | 615,862 | 199,938 | 258,900 | 192,128 | 936,241 | 400,255 | 405,044 | 3,639,067 |
| Additions | – | – | – | – | 1,943 | – | 18,948 | – | 20,891 |
| Disposals | – | – | (743) | – | – | – | – | – | (743) |
| Exchange difference on translation | – | – | (98) | (1,023) | (508) | (481) | – | – | (2,110) |
| At 31 December 2018 | 630,699 | 615,862 | 199,097 | 257,877 | 193,563 | 935,760 | 419,203 | 405,044 | 3,657,105 |
| Additions | **–** | **–** | **4,870** | **–** | **1,310** | **7,359** | **110,745** | **–** | **124,284** |
| Disposals | **–** | **–** | **–** | **–** | **–** | **–** | **(284,092)** | **–** | **(284,092)** |
| Exchange difference on translation | **–** | **–** | **(3,199)** | **(335)** | **2,218** | **(797)** | **–** | **–** | **(2,113)** |
| **At 31 December 2019** | **630,699** | **615,862** | **200,768** | **257,542** | **197,091** | **942,322** | **245,856** | **405,044** | **3,495,184** |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2018 | – | – | 169,459 | 218,410 | 172,320 | 855,563 | 279,492 | 403,942 | 2,099,186 |
| Depreciation (Note 22) | 23,359 | 68,429 | 7,690 | 14,343 | 6,826 | 73,188 | 56,418 | 359 | 250,612 |
| Disposals | – | – | (315) | – | – | – | – | – | (315) |
| Exchange difference on translation | – | – | (133) | (674) | (475) | (479) | – | – | (1,761) |
| At 31 December 2018 | 23,359 | 68,429 | 176,701 | 232,079 | 178,671 | 928,272 | 335,910 | 404,301 | 2,347,722 |
| Depreciation (Note 22) | **23,359** | **68,429** | **6,464** | **8,977** | **6,491** | **6,961** | **46,332** | **495** | **167,508** |
| Disposals | **–** | **–** | **–** | **–** | **–** | **–** | **(252,587)** | **–** | **(252,587)** |
| Exchange difference on translation | **–** | **–** | **(3,200)** | **(262)** | **2,221** | **(216)** | **–** | **–** | **(1,457)** |
| **At 31 December 2019** | **46,718** | **136,858** | **179,965** | **240,794** | **187,383** | **935,017** | **129,655** | **404,796** | **2,261,186** |
| Carrying amount | | | | | | | | | |
| **At 31 December 2019** | **583,981** | **479,004** | **20,803** | **16,748** | **9,708** | **7,305** | **116,201** | **248** | **1,233,998** |
| At 31 December 2018 | 607,340 | 547,433 | 22,396 | 25,798 | 14,892 | 7,488 | 83,293 | 743 | 1,309,383 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**3 Property, plant and equipment (cont'd)**

| **The Company** | Computers<br>US$ |
|---|---|
| Cost | |
| At 1 January 2018, 31 December 2018 and 31 December 2019 | **141,563** |
| Accumulated depreciation | |
| At 1 January 2018 | 132,746 |
| Depreciation | 6,089 |
| At 31 December 2018 | 138,835 |
| Depreciation | **1,530** |
| **At 31 December 2019** | **140,365** |
| Carrying amount | |
| **At 31 December 2019** | **1,198** |
| At 31 December 2018 | 2,728 |

The freehold and leasehold properties are as follows:

| | |
|---|---|
| Freehold property | A shop unit at 10 Jalan Besar |
| Leasehold properties | The Company's registered office at 30 Loyang Way, #07-13/14/15, Loyang Industrial Estate |

Revaluation of freehold and leasehold properties

At the end of the reporting period, the Group engaged a firm of independent professional valuers to perform valuation to determine the fair values of the freehold and leasehold properties, having regard to the valuers' recognised professional qualification and recent experience in the location and category of the properties being valued. No revaluation gain or loss was recognised in other comprehensive income for the financial years ended 31 December 2019 and 31 December 2018 as the carrying amounts of the freehold and leasehold properties did not differ materially from their fair values at the end of the reporting period.

If the freehold and leasehold properties were measured using the cost model at inception, the carrying amounts at the end of the reporting period would be as follows:

| **The Group** | **2019**<br>**US$** | 2018<br>US$ |
|---|---|---|
| Freehold property | **181,183** | 188,889 |
| Leasehold properties | **140,427** | 160,739 |

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

## 4 Right-of-use assets

| The Group | Properties US$ | Office equipment US$ | Motor vehicle US$ | Total US$ |
|---|---|---|---|---|
| Cost | | | | |
| Adjustment on application of SFRS(I) 16 | **362,898** | **26,218** | **–** | **389,116** |
| **At 1 January 2019** | **362,898** | **26,218** | **–** | **389,116** |
| Additions | **42,871** | **–** | **141,276** | **184,147** |
| **At 31 December 2019** | **405,769** | **26,218** | **141,276** | **573,263** |
| Accumulated depreciation | | | | |
| Adjustment on application of SFRS(I) 16 | **165,530** | **5,454** | **–** | **170,984** |
| **At 1 January 2019** | **165,530** | **5,454** | **–** | **170,984** |
| Depreciation (Note 22) | **140,407** | **5,244** | **2,355** | **148,006** |
| **At 31 December 2019** | **305,937** | **10,698** | **2,355** | **318,990** |
| Carrying amount | | | | |
| **At 31 December 2019** | **99,832** | **15,520** | **138,921** | **254,273** |
| **At 1 January 2019** | **197,368** | **20,764** | **–** | **218,132** |

Properties relate to the Group's warehouse and other office premises under leasing arrangements.

As at 31 December 2019, the carrying amount of motor vehicle under hire purchase arrangement amounted to US$138,921.

For the financial year ended 31 December 2019, additions to right-of-use assets amounted to US$184,147, of which US$141,691 was acquired under leasing or hire purchase arrangements. Cash payment of US$42,456 was made for motor vehicle.

## 5 Intangible assets

| The Group | Patents US$ | Trademarks US$ | Development costs US$ | Total US$ |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2018 | 3,597,679 | 440,586 | 6,591,605 | 10,629,870 |
| Additions | 5,323 | – | 213,678 | 219,001 |
| At 31 December 2018 | 3,603,002 | 440,586 | 6,805,283 | 10,848,871 |
| Additions | **80,515** | **3,307** | **139,010** | **222,832** |
| Write-offs | **–** | **–** | **(919,981)** | **(919,981)** |
| **At 31 December 2019** | **3,683,517** | **443,893** | **6,024,312** | **10,151,722** |
| Accumulated amortisation | | | | |
| At 1 January 2018 | 3,246,360 | 366,455 | 5,321,676 | 8,934,491 |
| Amortisation (Note 22) | 218,930 | 34,998 | 293,473 | 547,401 |
| At 31 December 2018 | 3,465,290 | 401,453 | 5,615,149 | 9,481,892 |
| Amortisation (Note 22) | **20,044** | **16,219** | **323** | **36,586** |
| **At 31 December 2019** | **3,485,334** | **417,672** | **5,615,472** | **9,518,478** |
| Carrying amount | | | | |
| **At 31 December 2019** | **198,183** | **26,221** | **408,840** | **633,244** |
| At 31 December 2018 | 137,712 | 39,133 | 1,190,134 | 1,366,979 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 5 Intangible assets (cont'd)

| The Company | Patents US$ | Trademarks US$ | Total US$ |
|---|---|---|---|
| Cost | | | |
| At 1 January 2018 | 3,109,674 | 383,277 | 3,492,951 |
| Additions | 5,323 | – | 5,323 |
| At 31 December 2018 | 3,114,997 | 383,277 | 3,498,274 |
| Additions | **29,081** | **3,307** | **32,388** |
| **At 31 December 2019** | **3,144,078** | **386,584** | **3,530,662** |
| Accumulated amortisation | | | |
| At 1 January 2018 | 2,759,537 | 309,146 | 3,068,683 |
| Amortisation | 217,749 | 34,998 | 252,747 |
| At 31 December 2018 | 2,977,286 | 344,144 | 3,321,430 |
| Amortisation | **20,043** | **16,219** | **36,262** |
| **At 31 December 2019** | **2,997,329** | **360,363** | **3,357,692** |
| Carrying amount | | | |
| **At 31 December 2019** | **146,749** | **26,221** | **172,970** |
| At 31 December 2018 | 137,711 | 39,133 | 176,844 |

Patents and trademarks
Patents and trademarks (e.g. "TREK", "DivaDrive", "Flucard" and "ThumbDrive") relate to costs of registering the invention and trademark, which are internal developments. The patents and trademarks have an average remaining amortisation period of 4.8 years (2018: 5.5 years).

Development costs
During the financial year ended 31 December 2019, the Group wrote off development costs on certain projects by US$919,981 as no further future economic benefits are expected to arise from these projects.

## 6 Subsidiaries

| The Company | **2019 US$** | 2018 US$ |
|---|---|---|
| Unquoted equity investments, at cost | | |
| At 1 January | **3,558,814** | 3,558,813 |
| Addition | **–** | 1 |
| Write-off | **(1)** | – |
| At 31 December | **3,558,813** | 3,558,814 |
| Allowance for impairment losses | | |
| At 1 January | **(1,975,079)** | (1,956,233) |
| Impairment loss recognised | **–** | (18,846) |
| At 31 December | **(1,975,079)** | (1,975,079) |
| Carrying amount | **1,583,734** | 1,583,735 |

The allowance for impairment losses relates to those inactive or dormant subsidiaries which had been fully impaired. As the indications of impairment still exist (i.e. incurring losses and in net liabilities position), the impairment losses are not reversed.

During the financial year ended 31 December 2018, the Company's wholly owned subsidiary, SGenome Precisionomics Inc Pte. Ltd., was approved to be struck off under the Singapore Companies Act. The cost of investment of US$1 was written off during the financial year ended 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**6 Subsidiaries (cont'd)**

During the financial year ended 31 December 2018, the indirect wholly owned subsidiary, T3 Solutions (HK) Limited, was voluntarily wound up pursuant to the Hong Kong Companies Ordinance.

On 10 January 2019, an indirect subsidiary, Unimemory Technology (S) Pte Ltd, reduced its paid-up capital by S$1 per share, from US$4,610,333 to US$2,615,439 in total. Based on their 24.3% shareholdings, the non-controlling interests received US$484,759 through distribution of cash by the subsidiary.

Details of the subsidiaries are:

| Name | Country of incorporation | Percentage of equity interest | | Principal activities |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| | | **%** | % | |
| Held by the Company | | | | |
| Trek Technology (Singapore) Pte. Ltd. (i) | Singapore | **100** | 100 | Research, design, development and dealing in computer hardware, software, electronic components and other related products |
| S-Com System (S) Pte Ltd (i) | Singapore | **100** | 100 | Research, design, development and dealing in computer hardware, software, electronic components and other related products |
| Trek Systems (M) Sdn Bhd (ii) | Malaysia | **100** | 100 | Research, design, development and dealing in computer hardware, software, electronic components and other related products |
| Trek Technology (HK) Co. Limited (iii) | Hong Kong | **100** | 100 | Marketing and distribution |
| Trekstor USA Inc # | United States of America | **100** | 100 | Marketing and distribution (dormant) |
| Trek Technology (Shanghai) Co. Ltd # | People's Republic of China | **100** | 100 | Marketing and distribution (dormant) |
| Trek Technology Europe B.V. # | The Netherlands | **100** | 100 | Marketing and distribution (dormant) |
| Japan-Singapore Future Technology Lab Pte. Ltd. (i) | Singapore | **100** | 100 | Research and experimental development on medical technologies |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**6 Subsidiaries (cont'd)**

| Name | Country of incorporation | Percentage of equity interest | | Principal activities |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| | | **%** | % | |
| Trek Connect Sdn Bhd [#] | Malaysia | **100** | 100 | Dormant |
| Held through Trek Technology (Singapore) Pte Ltd | | | | |
| Trek Technology (India) Private Limited [(iv)] | India | **100** | 100 | Research, development, marketing and distribution |
| Cloud Stringers (S) Pte. Ltd. [(i)] | Singapore | **84.7** | 84.7 | Development and marketing of web portal services, including social networking sites |
| Unimemory Technology (S) Pte. Ltd. [(i)] | Singapore | **75.7** | 75.7 | Research, design, development and distribution of memory modules and other related products and solutions |
| Held through Trek Technology (HK) Co. Ltd | | | | |
| Trek Systems (Shanghai) Co Ltd [(v)] | People's Republic of China | **100** | 100 | Marketing and distribution |
| Held through Trek Systems (M) Sdn Bhd | | | | |
| Thumbdrive Media Sdn. Bhd. [(ii)] | Malaysia | **100** | 100 | Research, design, development and dealing in computer hardware, software, electronic components and other related products |

(i) Audited by Foo Kon Tan LLP
(ii) Audited Crowe Malaysia PLT
(iii) Audited by Artwell CPA Limited, Hong Kong
(iv) Audited by T.D. Jagadeesha & Co., Chartered Accountants, India
(v) Audited by Shanghai Shenya Certified Public Accountants Co., Ltd, People's Republic of China
\# Not required to be audited

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 6 Subsidiaries (cont'd)

**Non-controlling interests**

The following summarises the financial information of each of the Company's subsidiaries with material non-controlling interest, based on their respective financial statements prepared in accordance with SFRS(I). The information is before inter-company eliminations with other entities in the Group.

*Cloud Stringers (S) Pte. Ltd.*

Summarised statement of financial position

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Current assets | **1,879,111** | 2,221,148 |
| Current liabilities | **(29,749)** | (258,179) |
| | **1,849,362** | 1,962,969 |
| Equity attributable to owners of the Company | **1,566,410** | 1,662,635 |
| Equity attributable to non-controlling interests | **282,952** | 300,334 |
| | **1,849,362** | 1,962,969 |

Summarised statement of profit or loss and other comprehensive income

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Revenue | **472,081** | 5,821,906 |
| Expenses | **(585,688)** | (6,144,459) |
| Loss for the year | **(113,607)** | (322,553) |
| Loss and total comprehensive loss attributable to: | | |
| - owners of the Company | **(96,225)** | (273,202) |
| - non-controlling interests | **(17,382)** | (49,351) |
| | **(113,607)** | (322,553) |

Other summarised information

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Cash flows from: | | |
| - operating activities | **(148,078)** | (1,762,179) |
| - financing activities | **-** | (290,641) |
| | **(148,078)** | (2,052,820) |

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

**6 Subsidiaries (cont'd)**

**Non-controlling interests (cont'd)**

*Unimemory Technology (S) Pte. Ltd.*

Summarised statement of financial position

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Non-current assets | **430** | 835 |
| Current assets | **2,392,791** | 4,405,370 |
| Non-current liabilities | **(8,705)** | (106,145) |
| | **2,384,516** | 4,300,060 |
| Equity attributable to owners of the Company | **1,805,078** | 3,255,146 |
| Equity attributable to non-controlling interests | **579,438** | 1,044,914 |
| | **2,384,516** | 4,300,060 |

Summarised statement of profit or loss and other comprehensive income

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Revenue | **585,788** | 1,721,455 |
| Expenses | **(506,438)** | (1,670,426) |
| Profit for the year | **79,350** | 51,029 |
| Profit and total comprehensive income attributable to: | | |
| - owners of the Company | **60,068** | 38,629 |
| - non-controlling interests | **19,282** | 12,400 |
| | **79,350** | 51,029 |

Other summarised information

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Cash flows from: | | |
| - operating activities | **65,204** | (120,048) |
| - financing activities | **(1,994,894)** | 319 |
| | **(1,929,690)** | (119,729) |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 7 Associates

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| Unquoted equity investments, at cost | **1,523,440** | 1,523,440 | **2,902,384** | 2,902,384 |
| Goodwill on acquisition | **1,378,944** | 1,378,944 | **–** | – |
| Impairment loss recognised | **(2,896,977)** | (2,896,977) | **(2,896,977)** | (2,896,977) |
| Share of post-acquisition reserve | **(5,407)** | (5,407) | **–** | – |
| Carrying amount | **–** | – | **5,407** | 5,407 |

Details of the associates are:

| Name | Country of incorporation | Percentage of equity interest | | Principal activities |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| | | **%** | % | |
| Held by the Company | | | | |
| Trek Technology (Thailand) Company Ltd [(i)] | Thailand | **39** | 39 | Marketing of computer, hardware, software, electronic components and other related products |
| STrek International Company Limited [#] | Hong Kong | **45** | 45 | Dormant |

(i) Audited by C.L. Accounting & Law, Thailand

\# Not required to be audited

The Group has not recognised losses relating to its associates where its share of losses has exceeded the Group's interests in the associates. The Group's cumulative share of unrecognised losses at the end of the reporting period was US$363,763 (2018: US$350,608) of which US$13,155 (2018: US$26,523) was the share of current year's losses. The Group has no obligation in respect of these losses. STrek International Company Limited has been dormant since the end of the financial year ended 31 December 2009.

The loss and total comprehensive loss of the associates in aggregate, not adjusted for the proportion of ownership interest held by the Group, are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

| The Group | 2019 US$ | 2018 US$ |
|---|---|---|
| Loss and total comprehensive loss for the year | **(33,731)** | (68,008) |

## 8 Other investments

| The Group and the Company | 2019 US$ | 2018 US$ |
|---|---|---|
| Non-current investments | | |
| Quoted debt investments – at FVOCI | **7,942,358** | 10,570,526 |
| Unquoted equity investments – at FVOCI | **1,323,337** | – |
| | **9,265,695** | 10,570,526 |
| Current investments | | |
| Funds managed by a fund manager – at FVTPL | **16,290,382** | 5,812,084 |
| Investment in a fund – at FVTPL | **629,139** | 617,546 |
| | **16,919,521** | 6,429,630 |
| | **26,185,216** | 17,000,156 |

Quoted debt investments at FVOCI pay fixed interest rates on a quarterly to semi-annually basis ranging from 4% to 5.75% (2018: 3.875% to 7.75%) per annum.

Other investments are primarily denominated in United States dollar.

## 9 Inventories

| The Group | 2019 US$ | 2018 US$ |
|---|---|---|
| Materials for sale, at net realisable value | **3,739,940** | 2,902,135 |
| Products for sale, at net realisable value | **258,307** | 493,555 |
| | **3,998,247** | 3,395,690 |

The movement in allowance for write-down of inventories is as follows:

| The Group | 2019 US$ | 2018 US$ |
|---|---|---|
| At 1 January | **2,449,124** | 1,472,840 |
| Allowance (reversed)/made (Note 22) | **(842,906)** | 976,284 |
| At 31 December | **1,606,218** | 2,449,124 |

For the financial year ended 31 December 2018, due to the decline in selling prices and the obsolescence of certain

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

inventories, the Group wrote down US$976,284 of the inventories to their net realisable values.

For the financial year ended 31 December 2019, reversal of write-down on inventories of US$842,906 was made by the Group when the related inventories were sold above their carrying amounts.

**10 Trade and other receivables**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| Trade receivables | | | | |
| - Third parties | **560,663** | 421,666 | **–** | – |
| - Associates | **432,097** | 450,608 | **–** | – |
| | **992,760** | 872,274 | **–** | – |
| Allowance for impairment losses | | | | |
| - Third parties | **(102,667)** | (121,124) | **–** | – |
| - Associates | **(431,975)** | (439,059) | **–** | – |
| | **(534,642)** | (560,183) | **–** | – |
| | **458,118** | 312,091 | **–** | – |
| Amounts due from subsidiaries (non-trade) | **–** | – | **10,902,841** | 16,209,742 |
| Allowance for impairment losses | **–** | – | **(10,902,841)** | (11,243,315) |
| | **–** | – | **–** | 4,966,427 |
| Deposits | **66,392** | 95,893 | **2,799** | 31,812 |
| Interest receivable | **131,719** | 128,681 | **125,004** | 128,681 |
| Other receivables | **533** | – | **–** | – |
| Financial assets at amortised cost | **656,762** | 536,665 | **127,803** | 5,126,920 |
| Net input GST | **569,154** | 138,094 | **–** | 8,220 |
| Total trade and other receivables | **1,225,916** | 674,759 | **127,803** | 5,135,140 |

Trade and other receivables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| United States dollar | **405,101** | 307,306 | **125,004** | 5,095,108 |
| India rupee | **10,567** | 4,538 | **–** | – |
| Malaysia ringgit | **72,574** | 48,849 | **–** | – |
| Singapore dollar | **731,910** | 307,703 | **2,799** | 40,032 |
| Others | **5,764** | 6,363 | **–** | – |
| | **1,225,916** | 674,759 | **127,803** | 5,135,140 |

As at 31 December 2019, trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms. They

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amounts due from subsidiaries, which represent advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

**10 Trade and other receivables (cont'd)**

The movement in allowance for impairment of trade receivables is as follows:

| The Group | **2019 US$** | 2018 US$ |
|---|---|---|
| At 1 January | **560,183** | 609,680 |
| Impairment losses reversed | **(25,541)** | (49,497) |
| At 31 December | **534,642** | 560,183 |

The movement in allowance for impairment of non-trade amounts due from subsidiaries is as follows:

| The Company | **2019 US$** | 2018 US$ |
|---|---|---|
| At 1 January | **11,243,315** | 11,243,107 |
| Impairment losses (reversed)/made | **(340,474)** | 208 |
| At 31 December | **10,902,841** | 11,243,315 |

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$273,626 (2018: US$66,037) at the end of the reporting period that are past due but not impaired. The trade receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

| The Group | **2019 US$** | 2018 US$ |
|---|---|---|
| Trade receivables past due but not impaired: | | |
| Less than 30 days | **106,601** | 52,891 |
| 30 to 60 days | **17,051** | 13,146 |
| More than 60 days | **149,974** | – |
| | **273,626** | 66,037 |

Based on historical default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables that are past due as they mainly arise from customers that have a good credit record with the Group.

**11 Cash and cash equivalents**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019 US$** | 2018 US$ | **2019 US$** | 2018 US$ |
| Cash and bank balances | **1,667,031** | 3,864,079 | **1,008,407** | 413,582 |
| Short-term deposits | **15,010,953** | 21,825,820 | **10,824,516** | 7,057,619 |
| | **16,677,984** | 25,689,899 | **11,832,923** | 7,471,201 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

Cash at banks is held in current accounts and is non-interest bearing. Short-term deposits are made for varying periods of between one week and three months (2018: four and five weeks) depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates, ranging from 1.29% to 2.84% (2018: 1.34% to 2.56%) per annum.

**11 Cash and cash equivalents (cont'd)**

Cash and cash equivalents are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| Cash and bank balances | | | | |
| United States dollar | **1,372,241** | 3,045,532 | **1,001,382** | 397,708 |
| India rupee | **23,059** | 19,818 | **–** | – |
| Malaysia ringgit | **77,114** | 423,838 | **–** | – |
| Singapore dollar | **62,578** | 242,925 | **7,025** | 15,874 |
| Others | **132,039** | 131,966 | **–** | – |
| | **1,667,031** | 3,864,079 | **1,008,407** | 413,582 |
| Short-term deposits | | | | |
| United States dollar | **14,790,363** | 21,635,373 | **10,603,926** | 7,057,619 |
| Singapore dollar | **220,590** | 190,447 | **220,590** | – |
| | **15,010,953** | 21,825,820 | **10,824,516** | 7,057,619 |
| | **16,677,984** | 25,689,899 | **11,832,923** | 7,471,201 |

**12 Share capital and treasury shares**

**Share capital**

| The Group and the Company | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|
| | Number of ordinary shares | | **US$** | **US$** |
| Issued and fully paid, with no par value | | | | |
| At 1 January and 31 December | **324,116,925** | 324,116,925 | **37,828,941** | 37,828,941 |

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share without restriction at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

**Treasury shares**

| The Group and the Company | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|
| | Number of ordinary shares | | **US$** | US$ |
| At 1 January | **2,090,100** | 1,229,000 | **321,886** | 262,755 |
| Purchase of treasury shares | **2,573,400** | 861,100 | **184,664** | 59,131 |
| At 31 December | **4,663,500** | 2,090,100 | **506,550** | 321,886 |

Treasury shares relate to the issued ordinary shares of the Company that are re-purchased and held by the Company.

The Company acquired 2,573,400 (2018: 861,100) of its own shares through purchase on the SGX-ST during the financial year ended 31 December 2019. The total amount paid to acquire the shares was S$250,532 (US$184,664) (2018: S$81,000 (US$59,131)) and was deducted from shareholders' equity. The shares are held as "treasury shares".

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 13 Reserves

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| Accumulated profits/(losses) | **1,336,045** | 2,494,455 | **(5,065,041)** | (7,077,683) |
| Capital reserve | **2,716,551** | 2,716,551 | **–** | – |
| Revaluation reserve | **1,055,596** | 1,055,596 | **–** | – |
| Fair value reserve | **(2,354,312)** | (376,951) | **(2,354,312)** | (376,951) |
| Share option reserve | **602,673** | 810,143 | **602,673** | 810,143 |
| Foreign currency translation reserve | **110,045** | 70,486 | **–** | – |
| Other reserve | **6,758** | 56,087 | **95,372** | 95,372 |
| | **3,473,356** | 6,826,367 | **(6,721,308)** | (6,549,119) |

Capital reserve
Capital reserve arose from the acquisition of assets and liabilities pursuant to the restructuring exercise carried out in 2000.

Revaluation reserve
Revaluation reserve relates to the revaluation of freehold and leasehold properties under the revaluation model (Note 3), and represents the increases in fair values of the properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Fair value reserve
Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets at FVOCI, until they are disposed of or impaired.

Share option reserve
Share option reserve represents equity-settled share options granted to employees, and is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry, withdrawal or exercise of the share options.

Foreign currency translation reserve
Foreign currency translation reserve represents the exchange differences arising from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's presentation currency.

Other reserve
Other reserve comprises the surplus from (i) the sale of treasury shares; and (ii) the acquisition of additional equity interest in Cloud Stringers (S) Pte. Ltd. from non-controlling interests, which are accounted for as equity transactions with shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 14 Lease liabilities

| **The Group** | **2019**<br>**US$** |
|---|---|
| Undiscounted lease payments due: | |
| - Year 1 | **124,743** |
| - Year 2 | **41,673** |
| - Year 3 | **28,095** |
| - Year 4 | **24,748** |
| - Year 5 | **21,475** |
| | **240,734** |
| Less: Unearned interest cost | **(22,765)** |
| | **217,969** |
| Represented by: | |
| - Non-current | **103,156** |
| - Current | **114,813** |
| | **217,969** |

The lease liabilities relate to the Group's warehouse and other office premises, office equipment and motor vehicle, which are secured by the lessors' title to the leased assets.

Interest expense on lease liabilities of US$9,970 is recognised in profit or loss for the financial year ended 31 December 2019 under finance cost (Note 21).

Total cash outflows for leases amounted to US$158,544 for the financial year ended 31 December 2019.

Lease liabilities are denominated in the following currencies:

| **The Group** | **2019**<br>**US$** |
|---|---|
| United States dollar | **2,716** |
| Hong Kong dollar | **14,744** |
| India rupee | **5,327** |
| Renminbi | **23,236** |
| Singapore dollar | **157,673** |
| Others | **14,273** |
| | **217,969** |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**15 Deferred tax liabilities**

| The Group | **2019** **US$** | 2018 US$ |
|---|---|---|
| At 1 January | **25,016** | 42,293 |
| Recognised in profit or loss (Note 23) | **17,931** | (17,277) |
| At 31 December | **42,947** | 25,016 |

The deferred tax liabilities relate to temporary differences arising from the carrying amount over tax written down value of property, plant and equipment.

As at 31 December 2019 and 31 December 2018, there were no temporary differences arising from undistributed earnings of subsidiaries.

**16 Trade and other payables**

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2019** **US$** | 2018 US$ | **2019** **US$** | 2018 US$ |
| Trade payables | **4,500,691** | 25,366 | **26,152** | 20,609 |
| Accrued expenses | **482,405** | 856,260 | **153,327** | 252,800 |
| Amounts due to a subsidiary (non-trade) | **–** | – | **9,106,146** | – |
| Amount due to a related party (non-trade) | **–** | 8,327 | **–** | – |
| Non-trade creditors | **51,461** | 218,423 | **23,983** | 198,159 |
| Other creditors | **547,575** | 549,458 | **–** | – |
| Financial liabilities at amortised cost | **5,582,132** | 1,657,834 | **9,309,608** | 471,568 |
| Net output GST | **5,204** | 279 | **2,094** | – |
| Total trade and other payables | **5,587,336** | 1,658,113 | **9,311,702** | 471,568 |

As at 31 December 2019, trade payables mainly relate to the outstanding trade balance owing to a major supplier which has granted credit to the Group during the financial year ended 31 December 2019.

Trade payables are non-interest bearing and have a credit term of 30 days while other payables have an average credit term of 90 days.

The non-trade amount due to a subsidiary, which represents advances from and payments on behalf by the subsidiary, is unsecured, interest-free and repayable on demand.

Non-trade creditors mainly relate to outstanding balances owing to vendors for professional fees which are non-trade in nature.

Other creditors comprise an amount of US$509,634 which represents the remaining balance arising from the issues which had been detailed in the Phase 2 Report, as disclosed in Note 2(e) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

## 16 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| United States dollar | **5,440,365** | 1,328,660 | **9,259,472** | 252,799 |
| India rupee | **23,802** | 16,415 | **–** | – |
| Malaysia ringgit | **13,423** | 40,267 | **–** | – |
| Singapore dollar | **82,334** | 238,053 | **52,230** | 218,769 |
| Others | **27,412** | 34,718 | **–** | – |
| | **5,587,336** | 1,658,113 | **9,311,702** | 471,568 |

## 17 Provisions

| The Group | Provision for compensation US$ | Provision for warranty US$ | Total US$ |
|---|---|---|---|
| At 1 January 2018 | 900,000 | 1,594,452 | 2,494,452 |
| Provision reversed | – | (1,094,452) | (1,094,452) |
| At 31 December 2018 | 900,000 | 500,000 | 1,400,000 |
| Provision reversed | **–** | **(200,000)** | **(200,000)** |
| At 31 December 2019 | **900,000** | **300,000** | **1,200,000** |

Provision for compensation relates to compensation sought by a customer for damages arising from defective products assembled by the Group. The provision is based on the settlement amount.

Provision for warranty relates to warranties on products that the Group undertakes to repair and replace for its products. The provision is based on estimates made from historical warranty data associated with the products. It is measured at the best estimate of the repair and replacement cost at the end of the reporting period.

## 18 Revenue

| The Group | **2019 US$** | 2018 US$ |
|---|---|---|
| Sale of goods, recognised at a point in time | **24,990,521** | 30,036,137 |
| Licensing income, recognised over time | **54,735** | 43,538 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

| | | |
|---|---|---|
| | **25,045,256** | 30,079,675 |

## 19 Other income

| **The Group** | **2019 US$** | 2018 US$ |
|---|---|---|
| Freight income | **855** | 2,114 |
| Government grants | **32,335** | 10,504 |
| Gain on disposal of property, plant and equipment | **24,320** | 319 |
| GST refund received | **75,219** | – |
| Interest income from: | | |
| - short-term deposits | **433,596** | 501,055 |
| - quoted debt investments | **563,497** | 628,208 |
| | **997,093** | 1,129,263 |
| Net fair value gain on investments at FVTPL | **598,559** | – |
| Net gain on disposal of debt investments at FVOCI | **71,729** | – |
| Reversal of accrued expenses | **300,615** | – |
| Sponsorship fees | **21,123** | – |
| Others | **30,855** | 28,766 |
| | **2,152,703** | 1,170,966 |

## 20 Other operating expenses

| **The Group** | **2019 US$** | 2018 US$ |
|---|---|---|
| Foreign exchange loss, net | **–** | 210,990 |
| Net fair value loss on investments at FVTPL | **–** | 455,202 |
| Net loss on disposal of debt investments at FVOCI | **–** | 164,245 |
| | **–** | 830,437 |

## 21 Finance cost

| **The Group** | **2019 US$** | 2018 US$ |
|---|---|---|

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

| | | | |
|---|---|---|---|
| Interest expense on lease liabilities (Note 14) | | **9,970** | – |

## 22 Loss before taxation

| The Group | Note | **2019 US$** | 2018 US$ |
|---|---|---|---|
| Loss before taxation has been arrived at after charging/(crediting): | | | |
| Amortisation of intangible assets | 5 | **36,586** | 547,401 |
| Consultancy fees | | **485,200** | 249,552 |
| Cost of inventories recognised in cost of sales | | **25,603,391** | 29,038,355 |
| Depreciation of property, plant and equipment | 3 | **167,508** | 250,612 |
| Depreciation of right-of-use assets | 4 | **148,006** | – |
| Development costs written off | 5 | **919,981** | – |
| Operating lease expenses | | **–** | 115,012 |
| Provision reversed | 17 | **(200,000)** | (1,094,452) |
| Write-down on inventories (reversed)/made | 9 | **(842,906)** | 976,284 |
| Audit fees | | | |
| - Auditor of the Company | | **93,891** | 78,571 |
| - Other auditors | | **10,159** | 23,967 |
| Non-audit fees | | | |
| - Auditor of the Company | | **10,740** | – |
| Staff costs | | | |
| Directors: | | | |
| Directors' fees | | **62,003** | 93,152 |
| Directors' remuneration other than fees: | | | |
| - salaries and other related costs | | **232,508** | 412,941 |
| - contributions to defined contribution plans | | **24,297** | 33,048 |
| | | **318,808** | 539,141 |

| The Group | Note | **2019 US$** | 2018 US$ |
|---|---|---|---|
| Key management personnel (other than directors): | | | |
| - salaries and other related costs | | **375,845** | 233,828 |
| - contributions to defined contribution plans | | **28,973** | 19,450 |
| | | **404,818** | 253,278 |
| Total key management personnel compensation | | **723,626** | 792,419 |
| Other than key management personnel: | | | |
| - salaries and other related costs | | **629,283** | 1,078,490 |
| - contributions to defined contribution plans | | **74,517** | 117,723 |
| | | **703,800** | 1,196,213 |

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

| | | |
|---|---|---|
| | **1,427,426** | 1,988,632 |

## 23 Taxation

| The Group | **2019 US$** | 2018 US$ |
|---|---|---|
| Current taxation | | |
| - changes in estimates in respect of prior years | **54,447** | 625,659 |
| Deferred taxation (Note 15) | | |
| - origination and reversal of temporary differences | **17,931** | (17,277) |
| | **72,378** | 608,382 |

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on losses as a result of the following:

| The Group | **2019 US$** | 2018 US$ |
|---|---|---|
| Loss before taxation | **(1,284,882)** | (3,115,627) |
| Tax at applicable tax rates of 17% (2018: 17%) | **(218,430)** | (529,657) |
| Effect of different tax rates in foreign jurisdictions | **(48,619)** | (30,787) |
| Tax effect of non-deductible expenses | **267,060** | 163,584 |
| Tax effect of non-taxable income | **(5,824)** | – |
| Deferred tax assets on temporary differences not recognised | **331,551** | 379,583 |
| Utilisation of deferred tax assets previously not recognised | **(307,807)** | – |
| Changes in estimates of current taxation in respect of prior years | **54,447** | 625,659 |
| | **72,378** | 608,382 |

Non-deductible expenses mainly relate to amortisation of intangible assets, depreciation of non-qualifying property, plant and equipment, depreciation of right-of-use assets and development costs written off.

At the end of reporting period, the Group has unused tax losses of approximately US$23,370,000 (2018: US$23,230,000), which are allowed to be carried forward and used to offset against future taxable profits of the subsidiaries in which the tax losses arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets have not been recognised due

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits. The unused tax losses have no expiry date.

**24 Loss per share**

The calculation of basic and diluted loss per share was based on the loss attributable to the ordinary shareholders of the Company of US$1,359,160 (2018: US$3,687,058) and a weighted average number of ordinary shares outstanding of 321,340,174 (2018: 322,871,751), calculated as follows:

Weighted average number of ordinary shares

| | **2019** | 2018 |
|---|---|---|
| Issued ordinary shares at beginning of year (excluding treasury shares) | **322,026,825** | 322,887,925 |
| Effect of treasury shares acquired during the year | **(686,651)** | (16,174) |
| Weighted average number of ordinary shares during the year | **321,340,174** | 322,871,751 |

The weighted average number of shares takes into account the weighted average effect of treasury share transactions during the financial year.

At the end of the reporting period, the 3,790,000 (2018: 3,830,000) outstanding share options granted to directors and employees under the share option scheme were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

**25 Equity-settled share-based payment transactions**

The Trek 2000 International Ltd Share Option Scheme 2011 was approved by shareholders at an extraordinary general meeting held on 21 April 2011 to replace the Trek 2000 International Ltd Share Option Scheme.

Group executives, including directors, are granted share options based on quantitative and non-quantitative performance indicators, including past performance, expertise, and potential for greater achievements and contributions to the Group. The options will vest over two years after the date of grant. The options, once vested, remain exercisable if the employee (including director) remains in service. The exercise price shall be equal to the average of the last dealt price for a share for the five consecutive trading days immediately preceding the date of grant. The options granted to group executives, and directors who do not hold executive functions in the Group, have contractual lives of ten and five years, respectively. The options are to be settled in equity.

At the end of the reporting period, the number of outstanding share options granted by the Company to current directors and key management personnel is 1,590,000 (2018: 1,590,000).

At the end of the reporting period, the total number of outstanding share options granted by the Company is 3,790,000 (2018: 3,830,000), as follows:

- 500,000 ordinary shares at a price of S$0.356 each, exercisable between 11 July 2012 to 11 July 2021;
- 3,200,000 ordinary shares at a price of S$0.247 each, exercisable between 10 February 2016 to 10 February 2025; and
- 90,000 ordinary shares at a price of S$0.362 each, exercisable between 10 February 2016 to 10 February 2020.

Movement of share options during the financial year
The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**25 Equity-settled share-based payment transactions (cont'd)**

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number** | **WAEP US$** | Number | WAEP US$ |
| Outstanding at 1 January | **3,830,000** | **0.263** | 3,880,000 | 0.264 |
| Forfeited [1] | **–** | **–** | (50,000) | 0.356 |
| Expired | **(40,000)** | **0.146** | – | – |
| Outstanding at 31 December [2] | **3,790,000** | **0.264** | 3,830,000 | 0.263 |
| Exercisable at 31 December | **3,790,000** | **0.264** | 3,830,000 | 0.263 |

[1] None of the options forfeited pertains to options held by directors who have resigned from the Group or are holding executive functions in the Group. The option period commences from the first anniversary of the date of grant but before the tenth anniversary of such date of grant.

[2] The range of exercise prices for options outstanding at the end of the financial year was S$0.247 to S$0.362 (2018: S$0.146 to S$0.362). The weighted average remaining contractual life for these options is 4.5 years (2018: 5.5 years).

The options granted, exercised and forfeited during the financial year and options outstanding at the end of the financial year are as follows:

| Date of options granted | 12 May 2009 | 12 May 2009 | 11 July 2011 | 11 July 2011 | 10 February 2015 | 10 February 2015 | 10 February 2015 | 10 February 2015 | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Grant option number | 13 | 13 | 16 | 16 | 19 | 19 | 19 | 19 | |
| Option exercise period | | | | | | | | | |
| From | 12 May 2010 | 12 May 2011 | 11 July 2012 | 11 July 2013 | 10 February 2016 | 10 February 2017 | 10 February 2016 | 10 February 2017 | |
| To | 12 May 2019 | 12 May 2019 | 11 July 2021 | 11 July 2021 | 10 February 2025 | 10 February 2025 | 10 February 2020 | 10 February 2020 | |
| Number of holders as at 31 December 2019 | - | - | 5 | 5 | 3 | 3 | 1 | 1 | |
| Exercise price per option | S$0.146 | S$0.146 | S$0.356 | S$0.356 | S$0.247 | S$0.247 | S$0.362 | S$0.362 | |
| **Number of options outstanding** | | | | | | | | | |
| At 1 January 2019 | 12,500 | 27,500 | 225,000 | 275,000 | 1,600,000 | 1,600,000 | 45,000 | 45,000 | 3,830,000 |
| Expired | **(12,500)** | **(27,500)** | **–** | **–** | **–** | **–** | **–** | **–** | **(40,000)** |
| **At 31 December 2019** | **–** | **–** | **225,000** | **275,000** | **1,600,000** | **1,600,000** | **45,000** | **45,000** | **3,790,000** |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 25 Equity-settled share-based payment transactions (cont'd)

| Date of options granted | 12 May 2009 | 12 May 2009 | 11 July 2011 | 11 July 2011 | 10 February 2015 | 10 February 2015 | 10 February 2015 | 10 February 2015 | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Grant option number | 13 | 13 | 16 | 16 | 19 | 19 | 19 | 19 | |
| Option exercise period | | | | | | | | | |
| From | 12 May 2010 | 12 May 2011 | 11 July 2012 | 11 July 2013 | 10 February 2016 | 10 February 2017 | 10 February 2016 | 10 February 2017 | |
| To | 12 May 2019 | 12 May 2019 | 11 July 2021 | 11 July 2021 | 10 February 2025 | 10 February 2025 | 10 February 2020 | 10 February 2020 | |
| **Number of holders as at 31 December 2018** | 3 | 4 | 5 | 5 | 3 | 3 | 1 | 1 | |
| Exercise price per option | S$0.146 | S$0.146 | S$0.356 | S$0.356 | S$0.247 | S$0.247 | S$0.362 | S$0.362 | |
| **Number of options outstanding** | | | | | | | | | |
| At 1 January 2018 | 12,500 | 27,500 | 275,000 | 275,000 | 1,600,000 | 1,600,000 | 45,000 | 45,000 | 3,880,000 |
| Forfeited | – | – | (50,000) | – | – | – | – | – | (50,000) |
| At 31 December 2018 | 12,500 | 27,500 | 225,000 | 275,000 | 1,600,000 | 1,600,000 | 45,000 | 45,000 | 3,830,000 |

## 26 Significant related party transactions

Other than as disclosed elsewhere in the financial statements, transactions with related parties based on terms agreed between parties are as follows:

| **The Group** | **2019 US$** | 2018 US$ |
|---|---|---|
| Sale of goods to a related company | **7,233** | 11,984 |
| Consultancy fee paid to controlling shareholder and former director of the Company | **379,238** | 188,868 |

The related company is a subsidiary of the associate of the Company, Trek Technology (Thailand) Company Ltd.

The directors are of the opinion that the transactions above have been entered in normal course of businesses and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

## 27 Leases

*Where the Group is the lessee,*

As at 31 December 2018, the Group was committed to making the following minimum lease payments in respect of non-cancellable operating leases of warehouse and other office premises and office equipment with an original term of more than one year:

| **The Group** | 2018<br>US$ |
|---|---|
| Not later than one year | 145,946 |
| Later than one year and not later than five years | 91,435 |
| | 237,381 |

The Group leases warehouses for storage of inventories and other office premises for operations. The leases typically run for a period of one to three years, with an option to renew the lease after that date. Lease payments are renegotiated every few years to reflect market rentals. There are no externally imposed covenants on the lease arrangements. The Group also leases office equipment with contract terms of one to five years. In addition, the Group leases a motor vehicle under hire purchase arrangement with a lease period of five years.

The Group has made upfront payments to secure leasehold properties that are used as office premises. The leasehold properties are right-of-use assets recorded within the Group's property, plant and equipment.

The Group has recognised right-of-use assets and lease liabilities for these leases from 1 January 2019. Information about leases for which the Group is a lessee is presented in Note 4 and Note 14 to the financial statements.

Amounts recognised in profit or loss under SFRS(I) 16 are as follows:

| **The Group** | **2019**<br>**US$** |
|---|---|
| Interest expense on lease liabilities (Note 21) | **9,970** |

## 28 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

- Customised solutions
- Interactive consumer solutions
- Licensing

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude finance income and cost, share of results of associate and income tax which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment. They are included as "others" in the table below.

There were no inter-segment sales during the financial year.

Segment performance is evaluated based on the operating profit or loss which in certain respects, as set out below, is measured differently from the operating profit or loss in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 28 Operating segments (cont'd)

| | Note | Customised solutions | | Interactive consumer solutions | | Licensing | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | | **US$** | US$ | **US$** | US$ | **US$** | US$ | **US$** | US$ | **US$** | US$ |
| **Segment revenue** | | | | | | | | | | | |
| Sales to external customers | | **2,165,524** | 2,904,452 | **22,824,997** | 27,131,685 | **54,735** | 43,538 | **–** | – | **25,045,256** | 30,079,675 |
| **Results** | | | | | | | | | | | |
| Amortisation of intangible assets | | **–** | – | **(36,506)** | (546,609) | **(80)** | (792) | **–** | – | **(36,586)** | (547,401) |
| Depreciation of property, plant and equipment | | **(14,483)** | (24,193) | **(153,025)** | (226,419) | – | – | – | – | **(167,508)** | (250,612) |
| Depreciation of right-of-use assets | | **(12,797)** | – | **(135,209)** | – | – | – | – | – | **(148,006)** | – |
| Development costs written off | | **(79,546)** | – | **(840,435)** | – | – | – | – | – | **(919,981)** | – |
| Impairment losses on trade receivables reversed | | **2,264** | 4,857 | **23,277** | 44,640 | – | – | – | – | **25,541** | 49,497 |
| Provisions reversed | | **17,730** | 107,263 | **182,270** | 987,189 | – | – | – | – | **200,000** | 1,094,452 |
| Write-down on inventories reversed/(made) | | **74,724** | (95,682) | **768,182** | (880,602) | – | – | – | – | **842,906** | (976,284) |
| Segment loss | A | **(254,404)** | (350,068) | **(2,681,459)** | (3,270,127) | **(6,430)** | (5,248) | **1,657,411** | 509,816 | **(1,284,882)** | (3,115,627) |
| **Assets and liabilities** | | | | | | | | | | | |
| Additions to non-current assets | B | **27,342** | 2,047 | **503,921** | 237,845 | – | – | – | – | **531,263** | 239,892 |
| Segment assets | C | **2,077,621** | 3,055,570 | **21,358,629** | 28,121,789 | **633,244** | 1,366,979 | **26,185,216** | 17,000,156 | **50,254,710** | 49,544,494 |
| Segment liabilities | D | **621,019** | 299,713 | **6,384,286** | 2,758,400 | – | – | **1,591,268** | 857,039 | **8,596,573** | 3,915,152 |

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

**28 Operating segments (cont'd)**

A) The following items are added to segment profit or loss to arrive at loss before taxation presented in the consolidated statement of profit or loss and other comprehensive income:

| The Group | 2019 US$ | 2018 US$ |
|---|---|---|
| Interest income from short-term deposits | **433,596** | 501,055 |
| Interest income from quoted debt investments | **563,497** | 628,208 |
| Net fair value gain/(loss) on investments at FVTPL | **598,559** | (455,202) |
| Net gain/(loss) on disposal of debt investments at FVOCI | **71,729** | (164,245) |
| Finance cost | **(9,970)** | – |
| | **1,657,411** | 509,816 |

B) Additions to non-current assets consist of additions to property, plant and equipment, right-of-use assets and intangible assets.

C) The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| The Group | 2019 US$ | 2018 US$ |
|---|---|---|
| Quoted debt investments – at FVOCI | **7,942,358** | 10,570,526 |
| Unquoted equity investments – at FVOCI | **1,323,337** | – |
| Funds managed by a fund manager – at FVTPL | **16,290,382** | 5,812,084 |
| Investment in a fund – at FVTPL | **629,139** | 617,546 |
| | **26,185,216** | 17,000,156 |

D) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| The Group | 2019 US$ | 2018 US$ |
|---|---|---|
| Deferred tax liabilities | **42,947** | 25,016 |
| Current tax payable | **1,548,321** | 832,023 |
| | **1,591,268** | 857,039 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**28 Operating segments (cont'd)**

Geographical information
The Group's revenues and non-current assets (excluding other investments) are divided into the following geographical areas:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| **The Group** | **US$** | US$ | **US$** | US$ |
| Principal markets | | | | |
| China/Hong Kong | **13,789,445** | 21,698,292 | **37,768** | 605 |
| Taiwan | **6,344,569** | 3,004,994 | **–** | – |
| India | **1,843,075** | 2,069,760 | **9,970** | 3,638 |
| Singapore | **1,210,366** | 1,358,651 | **2,065,238** | 2,672,119 |
| Indonesia | **954,138** | 1,173,864 | **–** | – |
| Malaysia | **621,163** | 651,199 | **8,539** | – |
| Europe | **3,264** | 2,613 | **–** | – |
| Thailand | **31,253** | 15,216 | **–** | – |
| United States of America | **1,894** | 1,877 | **–** | – |
| Others | **246,089** | 103,209 | **–** | – |
| | **25,045,256** | 30,079,675 | **2,121,515** | 2,676,362 |

Non-current assets information presented above consists of property, plant and equipment, right-of-use assets and intangible assets as presented in the consolidated statement of financial position.

Information about major customers
Revenue from 5 (2018: 5) major customers which individually contributed 10 percent or more of the Group's revenue amounted to US$12,424,913 (2018: US$19,100,000).

**29 Financial risk management objectives and policies**

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 29.3) and foreign currency risk (Note 29.4).

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**29 Financial risk management objectives and policies (cont'd)**

**29.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables and quoted debt investments. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For the other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

The Group and the Company have debt investments at FVOCI, trade and other receivables and cash and cash equivalents that are subject to impairment under the expected credit loss model. While cash and cash equivalents are subject to the impairment requirements of SFRS(I) 9, the identified impairment loss is insignificant.

**Debt investments at FVOCI**

The Group and the Company limit their exposure to credit risk on debt investments held by investing only in quoted and liquid debt securities and only with counterparties that have a high credit rating.

The Group and the Company monitor changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the end of the reporting period that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields. At the end of the reporting period, no loss allowance for debt investments at FVOCI was required.

**Trade receivables**

The Group applies the SFRS(I) 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group has identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group.

**Other receivables**

Loss allowance for other receivables is measured at an amount equal to 12-month expected credit losses. The expected credit losses on other receivables are estimated by reference to track record of the counterparties, their business and financial conditions where information is available, and knowledge of any events or circumstances impeding recovery of the amounts. At the end of the reporting period, no loss allowance for the Group's other receivables was required.

**Amounts due from subsidiaries (non-trade)**

Non-trade amounts due from subsidiaries have been fully impaired taking into account the finances, business performance, and a forward-looking analysis of the financial performance of the business activities undertaken by the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**29 Financial risk management objectives and policies (cont'd)**

**29.1 Credit risk (cont'd)**

**Exposure to credit risk**

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group's and the Company's major classes of financial assets are cash and cash equivalents, quoted debt investments and trade and other receivables. Cash and cash equivalents are held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 10.

**29.2 Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

| | Carrying amount | Contractual undiscounted cash flows | Less than 1 year | Between 1 and 5 years |
|---|---|---|---|---|
| **The Group** | US$ | US$ | US$ | US$ |
| **2019** | | | | |
| Non-derivative financial liabilities | | | | |
| Lease liabilities (Note 14) | **217,969** | **240,734** | **124,743** | **115,991** |
| Trade and other payables (Note 16) | **5,582,132** | **5,582,132** | **5,582,132** | **–** |
| | **5,800,101** | **5,822,866** | **5,706,875** | **115,991** |
| **2018** | | | | |
| Non-derivative financial liabilities | | | | |
| Trade and other payables (Note 16) | 1,657,834 | 1,657,834 | 1,657,834 | – |
| **The Company** | | | | |
| **2019** | | | | |
| Trade and other payables (Note 16) | **9,309,608** | **9,309,608** | **9,309,608** | **–** |
| **2018** | | | | |
| Trade and other payables (Note 16) | 471,568 | 471,568 | 471,568 | – |

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient levels of cash and cash equivalents and have available adequate amount of committed credit facilities from financial institutions to meet their working capital requirements.

The Group's and the Company's investments in funds managed by a fund manager are considered readily realisable as the underlying investments in the funds are quoted and listed on major stock exchanges. The fund manager is required to comply with the restrictions and limitations as stipulated in the investment mandate.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**29 Financial risk management objectives and policies (cont'd)**

**29.3 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from short-term deposits at floating rates. Quoted debt investments and lease liabilities bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| **Fixed rate instruments** | | | | |
| Financial assets | | | | |
| - quoted debt investments | **7,942,358** | 10,570,526 | **7,942,358** | 10,570,526 |
| Financial liabilities | | | | |
| - lease liabilities | (217,969) | – | – | – |
| | 7,724,389 | 10,570,526 | 7,942,358 | 10,570,526 |
| **Variable rate instruments** | | | | |
| Financial assets | | | | |
| - short-term deposits | **15,010,953** | 21,825,820 | **10,824,516** | 7,057,619 |

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 100 (2018: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's results net of tax and equity would have been US$150,110 (2018: US$218,258) and US$108,245 (2018: US$70,576) higher/lower, respectively, arising mainly as a result of higher/lower interest income from floating rate short-term deposits.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not considered the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing their interest rate exposure.

**29.4 Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely United States dollar for the Company and its principal operating subsidiaries incorporated in Singapore. The foreign currency in which these transactions are denominated is primarily Singapore dollar. The Group's and the Company's receivable and payable balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in Singapore dollar and other currencies (including Hong Kong dollar, India rupee, Malaysia ringgit, Renminbi and Vietnam dong, which are individually insignificant), for working capital purposes.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**29 Financial risk management objectives and policies (cont'd)**

**29.4 Foreign currency risk (cont'd)**

Consequently, the Group and the Company are exposed to movements in foreign currency exchange rates. However, the Group and the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The Group's exposures in financial instruments to the various foreign currencies (other than the respective functional currencies of group entities) are mainly as follows:

| The Group | Singapore dollar US$ | Others US$ |
|---|---|---|
| **2019** | | |
| Trade and other receivables (Note 10) | **731,910** | **88,905** |
| Cash and cash equivalents (Note 11) | **283,168** | **232,212** |
| Lease liabilities (Note 14) | **(157,673)** | **(14,273)** |
| Trade and other payables (Note 16) | **(82,334)** | **(64,637)** |
| Net exposure | **775,071** | **242,207** |
| **2018** | | |
| Trade and other receivables (Note 10) | 307,703 | 59,750 |
| Cash and cash equivalents (Note 11) | 433,372 | 575,622 |
| Trade and other payables (Note 16) | (238,053) | (91,400) |
| Net exposure | 503,022 | 543,972 |
| **The Company** | | |
| **2019** | | |
| Trade and other receivables (Note 10) | **2,799** | **–** |
| Cash and cash equivalents (Note 11) | **227,615** | **–** |
| Trade and other payables (Note 16) | **(52,230)** | **–** |
| Net exposure | **178,184** | **–** |
| **2018** | | |
| Trade and other receivables (Note 10) | 40,032 | – |
| Cash and cash equivalents (Note 11) | 15,874 | – |
| Trade and other payables (Note 16) | (218,769) | – |
| Net exposure | (162,863) | – |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar ("SGD") and other exchange rates (against United States dollar), with all other variables held constant, on the Group's and the Company's results net of tax and equity.

# NOTES TO THE FINANCIAL STATEMENTS
*for the financial year ended 31 December 2019*

**29 Financial risk management objectives and policies (cont'd)**

**29.4 Foreign currency risk (cont'd)**

| **The Group** | | **2019 US$** | 2018 US$ |
|---|---|---|---|
| SGD | - strengthened 5% (2018: 5%) | **38,754** | 25,151 |
| | - weakened 5% (2018: 5%) | **(38,754)** | (25,151) |
| Others | - strengthened 5% (2018: 5%) | **12,110** | 27,199 |
| | - weakened 5% (2018: 5%) | **(12,110)** | (27,199) |

| **The Company** | | | |
|---|---|---|---|
| SGD | - strengthened 5% (2018: 5%) | **8,909** | (8,143) |
| | - weakened 5% (2018: 5%) | **(8,909)** | 8,143 |

This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account the associated tax effect.

**29.5 Market price risk**
Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company are exposed to market price risks arising from the quoted debt investments and the underlying quoted investments in funds managed by a fund manager and investment in a fund.

Market price sensitivity
At the end of the reporting period, if the market prices had been 5% (2018: 5%) higher/lower with all other variables held constant, the Group's and the Company's other comprehensive income and fair value reserve in equity would have been US$397,118 (2018: US$528,526) higher/lower, arising as a result of an increase/decrease in the fair value of quoted debt investments at FVOCI, and the Group's and the Company's results net of tax and equity would have been US$845,976 (2018: US$321,482) higher/lower, arising as a result of an increase/decrease in the fair value of other investments at FVTPL.

**30 Financial instruments**

**Accounting classifications of financial assets and financial liabilities**
The carrying amounts of financial assets and financial liabilities in each category are as follows:

| **The Group** | Amortised cost US$ | FVOCI – debt instruments US$ | FVOCI – equity instruments US$ | Mandatorily at FVTPL US$ | Other financial liabilities at amortised cost US$ | Total US$ |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Financial assets | | | | | | |
| Other investments (Note 8) | **–** | **7,942,358** | **1,323,337** | **16,919,521** | **–** | **26,185,216** |
| Trade and other receivables (Note 10) | **656,762** | **–** | **–** | **–** | **–** | **656,762** |
| Cash and cash equivalents (Note 11) | **16,677,984** | **–** | **–** | **–** | **–** | **16,677,984** |
| | **17,334,746** | **7,942,358** | **1,323,337** | **16,919,521** | **–** | **43,519,962** |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**30 Financial instruments (cont'd)**

**Accounting classifications of financial assets and financial liabilities (cont'd)**

| **The Group** | Amortised cost US$ | FVOCI – debt instruments US$ | FVOCI – equity instruments US$ | Mandatorily at FVTPL US$ | Other financial liabilities at amortised cost US$ | Total US$ |
|---|---|---|---|---|---|---|
| Financial liabilities | | | | | | |
| Lease liabilities (Note 14) | **–** | **–** | **–** | **–** | **217,969** | **217,969** |
| Trade and other payables (Note 16) | **–** | **–** | **–** | **–** | **5,582,132** | **5,582,132** |
| | **–** | **–** | **–** | **–** | **5,800,101** | **5,800,101** |
| **2018** | | | | | | |
| Financial assets | | | | | | |
| Other investments (Note 8) | – | 10,570,526 | – | 6,429,630 | – | 17,000,156 |
| Trade and other receivables (Note 10) | 536,665 | – | – | – | – | 536,665 |
| Cash and cash equivalents (Note 11) | 25,689,899 | – | – | – | – | 25,689,899 |
| | 26,226,564 | 10,570,526 | – | 6,429,630 | – | 43,226,720 |
| Financial liabilities | | | | | | |
| Trade and other payables (Note 16) | – | – | – | – | 1,657,834 | 1,657,834 |
| **The Company** | | | | | | |
| **2019** | | | | | | |
| Financial assets | | | | | | |
| Other investments (Note 8) | **–** | **7,942,358** | **1,323,337** | **16,919,521** | **–** | **26,185,216** |
| Trade and other receivables (Note 10) | **127,803** | **–** | **–** | **–** | **–** | **127,803** |
| Cash and cash equivalents (Note 11) | **11,832,923** | **–** | **–** | **–** | **–** | **11,832,923** |
| | **11,960,726** | **7,942,358** | **1,323,337** | **16,919,521** | **–** | **38,145,942** |
| Financial liabilities | | | | | | |
| Trade and other payables (Note 16) | **–** | **–** | **–** | **–** | **9,309,608** | **9,309,608** |
| **2018** | | | | | | |
| Financial assets | | | | | | |
| Other investments (Note 8) | – | 10,570,526 | – | 6,429,630 | – | 17,000,156 |
| Trade and other receivables (Note 10) | 5,126,920 | – | – | – | – | 5,126,920 |
| Cash and cash equivalents (Note 11) | 7,471,201 | – | – | – | – | 7,471,201 |
| | 12,598,121 | 10,570,526 | – | 6,429,630 | – | 29,598,277 |
| Financial liabilities | | | | | | |
| Trade and other payables (Note 16) | – | – | – | – | 471,568 | 471,568 |

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 31 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as going concern;
(b) To support the Group's and the Company's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises lease liabilities and trade and other payables, less cash and cash equivalents. Total capital represents equity attributable to owners of the Company.

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **US$** | US$ | **US$** | US$ |
| Lease liabilities (Note 14) | **217,969** | – | **–** | – |
| Trade and other payables (Note 16) | **5,587,336** | 1,658,113 | **9,311,702** | 471,568 |
| Total debt | **5,805,305** | 1,658,113 | **9,311,702** | 471,568 |
| Less: Cash and cash equivalents (Note 11) | **(16,677,984)** | (25,689,899) | **(11,832,923)** | (7,471,201) |
| Net cash | **(10,872,679)** | (24,031,786) | **(2,521,221)** | (6,999,633) |
| | | | | |
| Equity attributable to the owners of the Company | **40,795,747** | 44,333,422 | **30,601,083** | 30,957,936 |
| Total capital | **40,795,747** | 44,333,422 | **30,601,083** | 30,957,936 |
| Total capital and net debt | **29,923,068** | 20,301,636 | **28,079,862** | 23,958,303 |
| | | | | |
| Gearing ratio | **N.M.** | N.M. | **N.M.** | N.M. |

N.M.: Not meaningful as the Group and the Company are in net cash position.

## 32 Fair value measurement

**Definition of fair value**

SFRS(I)s define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Fair value hierarchy**

Financial assets and financial liabilities measured or disclosed at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**32 Fair value measurement (cont'd)**

**Fair value hierarchy (cont'd)**

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) or those which reprice regularly approximate their fair values because of the short period to maturity or repricing. The fair value of non-current financial assets and liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

**Fair values of financial instruments**

| The Group and the Company | Level 1 US$ | Level 2 US$ | Level 3 US$ | Total US$ |
|---|---|---|---|---|
| **2019** | | | | |
| Financial assets | | | | |
| Quoted debt investments – at FVOCI | **7,942,358** | **–** | **–** | **7,942,358** |
| Unquoted equity investments – at FVOCI | **–** | | **1,323,337** | **1,323,337** |
| Funds managed by a fund manager – at FVTPL | **–** | **16,290,382** | **–** | **16,290,382** |
| Investment in a fund – at FVTPL | **–** | **–** | **629,139** | **629,139** |
| | **7,942,358** | **16,290,382** | **1,952,476** | **26,185,216** |
| **2018** | | | | |
| Financial assets | | | | |
| Quoted debt investments – at FVOCI | 10,570,526 | – | – | 10,570,526 |
| Funds managed by a fund manager – at FVTPL | – | 5,812,084 | – | 5,812,084 |
| Investment in a fund – at FVTPL | – | – | 617,546 | 617,546 |
| | 10,570,526 | 5,812,084 | 617,546 | 17,000,156 |

Quoted debt investments
The fair values are based on the quoted market prices at the end of the reporting period. The quoted market prices used are the current bid prices and they are included in Level 1.

Funds managed by a fund manager
The fair values are based on the quoted market prices of the underlying quoted investments at the end of the reporting period and they are included in Level 2.

Unquoted equity investments and investment in a fund
The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

**32 Fair value measurement (cont'd)**

**Fair values of financial instruments (cont'd)**

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| *Unquoted equity investments at FVOCI* <br> *The valuations are based on:* | | |
| (i) market approach, using the median price-to-book ratio of companies comparable to the investee, applied to the net asset value of the investee, and adjusted for the effect of the lack of marketability and control of the equity investment; and | - Price-to-book ratio <br> - Discount for lack of marketability | The estimated fair value would increase/ decrease if: <br> - Price-to-book ratio was higher/lower; or <br> - Discount for lack of marketability was lower/higher. |
| (ii) option pricing model on the underlying investment of the investee entity. | - Expected volatility <br> - Probability for initial public offering | The estimated fair value would increase/ decrease if: <br> - Expected volatility was lower/higher; or <br> - Probability for initial public offering of the underlying investment of the investee entity was higher/lower. |
| *Investment in a fund at FVTPL* <br> The fair value is calculated using the net asset value of the investee entity adjusted for the fair values of the underlying quoted and unquoted investments, where applicable. | Fair values of unquoted investments | The estimated fair value would increase/ decrease if the fair values of unquoted investments increase/ decrease. |

**Fair values of non-financial assets**

| **The Group** | Level 1 US$ | Level 2 US$ | Level 3 US$ | Total US$ |
|---|---|---|---|---|
| **2019** | | | | |
| Non-financial assets | | | | |
| Freehold property (Note 3) | – | – | **583,981** | **583,981** |
| Leasehold properties (Note 3) | – | – | **479,004** | **479,004** |
| | – | – | **1,062,985** | **1,062,985** |
| **2018** | | | | |
| Non-financial assets | | | | |
| Freehold property (Note 3) | – | – | 607,340 | 607,340 |
| Leasehold properties (Note 3) | – | – | 547,433 | 547,433 |
| | – | – | 1,154,773 | 1,154,773 |

Freehold and leasehold properties

The fair values of the freehold and leasehold properties are determined by a firm of independent professional valuers who have appropriate recognised professional qualification and experience in the category of the properties being valued.

Freehold and leasehold properties are valued on a highest and best use basis. Highest and best use basis is used for fair value measurement of non-financial assets. For the Group's freehold and leasehold properties, the current use is considered to be the highest and best use. The fair values of the freehold and leasehold properties, classified as Level 3, have been derived using the direct comparison method.

# NOTES TO THE FINANCIAL STATEMENTS

*for the financial year ended 31 December 2019*

## 32 Fair value measurement (cont'd)

**Fair values of non-financial assets (cont'd)**

The direct comparison method involves the analysis of comparable sales of similar properties with adjustments made to reflect the differences in size, location, physical features, condition, tenure, prevailing market conditions and other relevant factors affecting its fair value.

The fair values of freehold and leasehold properties included in Level 3 are determined as follows:

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| Direct comparison method | - Price per square metre<br>- Expected average rental growth<br>- Capitalisation rate | The estimated fair value would increase/ decrease if:<br>- Price per square metre was higher/ lower;<br>- Expected average rental growth was higher/lower; or<br>- Capitalisation rate was lower lower/ higher. |

## 33 Dividends

| **The Group and The Company** | 2018<br>US$ |
|---|---|
| Final dividend of S$0.01 per ordinary share in respect of previous financial year | 2,416,792 |

## 34 Events after the reporting period

As of the date of authorisation of these financial statements, the outbreak of COVID-19 (Coronavirus Disease 2019) has spread to most regions around the world. The Group foresees the industry to remain challenging in the next 12 months due to the COVID-19 epidemic outbreak that has adversely affected the global market. As the situation remains uncertain, it is currently not possible to reliably ascertain the full financial impact it may have on the financial performance of the Group in the financial year ending 31 December 2020. In this difficult period, the Group will be selective in exercising priority on projects and exercise prudence in its financial management. To stay relevant and sustainable in this dynamic market, the Group will continue to invest in research and development and come up with innovative solutions to meet the demand of the fifth-generation technology market.

# STATISTICS OF SHAREHOLDINGS
*AS AT 21 MAY 2020*

| | | |
|---|---|---|
| Class of Shares | : | Ordinary Shares |
| Voting Rights (excluding treasury shares and subsidiary holdings) | : | One Vote per Share |
| No. of issued shares | : | 324,116,925 shares |
| No. of issues shares (excluding treasury shares and subsidiary holdings) | : | 319,453,425 shares |
| No. of treasury shares | : | 4,663,500 shares |
| No. of subsidiary holdings held | : | Nil |

**Distribution of Shareholdings as at 21 May 2020 (excluding treasury shares and subsidiary holdings)**

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 18 | 1.02 | 622 | 0.00 |
| 100 – 1,000 | 132 | 7.51 | 67,374 | 0.02 |
| 1,001 – 10,000 | 756 | 43.03 | 4,177,770 | 1.31 |
| 10,001 – 1,000,000 | 828 | 47.13 | 61,762,912 | 19.33 |
| 1,000,001 and above | 23 | 1.31 | 253,444,747 | 79.34 |
| Total | 1,757 | 100.00 | 319,453,425 | 100.00 |

**Substantial Shareholders as at 21 May 2020**

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Tan Henry @ Henn Tan | 101,498,691 | 31.77 | 720,000[1] | 0.23 |
| Kioxia Corporation | 44,212,359[3,4] | 13.84 | 8,500,000[2,3,4] | 2.66 |
| CTI II Limited | 27,500,000 | 8.61 | – | – |
| Creative Technology Ltd | – | – | 27,500,000[5] | 8.61 |
| Sim Wong Hoo | – | – | 27,500,000[6] | 8.61 |
| Ron Sim Chye Hock | 28,374,600 | 8.88 | – | – |

*Notes* :-

1. *Tan Henry @ Henn Tan is deemed to be interested in 720,000 shares held by his wife, Ang Poh Tee, by virtue of Section 7 of the Companies Act, Cap 50;*

2. *Kioxia Corporation is deemed to be interested in 8,500,000 shares held by its wholly-owned subsidiary, Kioxia Singapore Pte Ltd;*

3. *Toshiba Corporation holds approximately 40.2% of the voting rights in Kioxia Corporation and, is deemed interested in 44,212,359 shares held by Kioxia Corporation and 8,500,000 shares held by Kioxia Singapore Pte Ltd;*

4. *BEPC Pangea Cayman, LLP holds approximately 49.9% of the voting rights in Kioxia Corporation and, is deemed interested in 44,212,359 shares held by Kioxia Corporation and 8,500,000 shares held by Kioxia Singapore Pte Ltd;*

5. *Creative Technology Ltd (CTL) is deemed to be interested in 27,500,000 shares held by its wholly-owned subsidiary, CTI II Limited by virtue of Section 7 of the Companies Act, Cap 50; and*

6. *Sim Wong Hoo owns more than 20% of the issued share capital of CTL and is deemed to be interested in 27,500,000 shares held by CTI II Limited by virtue of Section 7 of the Companies Act, Cap 50.*

# STATISTICS OF SHAREHOLDINGS

*AS AT 21 MAY 2020*

**Twenty Largest Shareholders as at 21 May 2020**

| No. | Name of Shareholders | No. of shares | % |
|---|---|---|---|
| 1 | TAN HENRY @ HENN TAN | 100,698,691 | 31.52 |
| 2 | DAIWA CAPITAL MARKETS SINGAPORE LIMITED | 37,912,359 | 11.87 |
| 3 | RAFFLES NOMINEES (PTE.) LIMITED | 31,878,505 | 9.98 |
| 4 | CTI II LIMITED | 27,500,000 | 8.61 |
| 5 | DBS NOMINEES (PRIVATE) LIMITED | 9,043,700 | 2.83 |
| 6 | KIOXIA SINGAPORE PTE. LTD. | 8,500,000 | 2.66 |
| 7 | TAN KAY TOH | 5,196,900 | 1.63 |
| 8 | PHILLIP SECURITIES PTE LTD | 3,267,500 | 1.02 |
| 9 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 3,085,500 | 0.97 |
| 10 | TAN BOON SIONG | 3,051,648 | 0.96 |
| 11 | OH CHEE ENG | 2,602,300 | 0.81 |
| 12 | TAN JOON YONG WAYNE (CHEN JUNRONG) | 2,371,176 | 0.74 |
| 13 | CHONG GEORGE | 2,258,800 | 0.71 |
| 14 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 2,189,268 | 0.69 |
| 15 | ANG HAO YAO (HONG HAOYAO) | 2,119,800 | 0.66 |
| 16 | NEO AH SENG (LIANG YACHENG) | 2,000,000 | 0.63 |
| 17 | SOH MEIQI, PETRINA | 1,839,250 | 0.58 |
| 18 | RHB SECURITIES SINGAPORE PTE. LTD. | 1,600,000 | 0.50 |
| 19 | CHEW GHIM BOK | 1,497,000 | 0.47 |
| 20 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,420,350 | 0.44 |
| | **Total:** | **250,032,747** | **78.27** |

Based on Shareholders' Information as at 21 May 2020 approximately 32.01% of the total numbers of issued shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty First Annual General Meeting (the "AGM") of the Company will be held by electronic means on Monday, 29 June 2020 at 10:00 a.m., to transact the following businesses:

**ORDINARY BUSINESS:**

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 together with the Auditor's Report thereon. ***Resolution 1***

2. To approve the payment of the Directors' fees of S$105,000 for the financial year ended 31 December 2019 (2018: S$111,267). ***Resolution 2***

3. To re-elect Mr Kwek Swee Heng, the director retiring by rotation pursuant to Article 103 of the Company's Constitution and who, being eligible, offer himself for re-election. ***Resolution 3***

   *[See Explanatory Note (i)]*

4. To re-appoint Messrs Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 4***

**SPECIAL BUSINESS:**

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

5.. **Authority to allot and issue shares** ***Resolution 5***

"THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "C**ompanies Act**"), and the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given for the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "**Instruments**") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

and (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuant to any Instrument made or granted by the Directors while the authority was in force, provided always that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings, if any), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any), and for the purpose of this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be the Company's total number of issued shares (excluding treasury shares and subsidiary holdings, if any) at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of convertible securities, or

# NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

(ii) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(iii) any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(b) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

*[See Explanatory Note (ii)]*

6. **Authority for Directors to offer and grant options and allot shares pursuant to the Trek 2000 International Ltd Share Option Scheme 2011** ***Resolution 6***

"That the Directors be empowered to issue shares to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the approved Trek 2000 International Ltd Share Option Scheme 2011 (the "**2011 Scheme**") upon the exercise of such options and in accordance with the terms and conditions of the 2011 Scheme, provided that the aggregate number of shares issued pursuant to the 2011 Scheme shall not exceed 15% of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

*[See Explanatory Note (iii)]*

7. **Proposed Renewal of Share Buy-Back Mandate** ***Resolution 7***

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) an on-market purchase ("**On-Market Purchase**") transacted on the SGX-ST; and/or

(ii) an off-market purchase ("**Off-Market Purchase**") effected pursuant to an equal access scheme (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Buy-Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

# NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Buy-Back Mandate, if renewed, is revoked or varied by the Company in general meeting; or

(iii) the date on which Share Buy-Backs are carried out to the full extent mandated;

(d) in this Resolution:

"**Maximum Limit**" means 10% of the issued Shares as at the date of the passing of this Ordinary Resolution (excluding treasury shares and subsidiary holdings, if any);

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of an On-Market Purchase, 5% above the average of the closing market prices of the Shares over the last five (5) consecutive Market Days on the SGX-ST, on which transactions in the Shares are recorded immediately preceding the day of the On-Market Purchase and deemed to be adjusted for any corporate action occurring after such 5-Market Day period; and

(ii) in the case of an Off-Market Purchase, 20% above the average of the closing market prices of the Shares over the last five (5) consecutive Market Days on the SGX-ST, on which transactions in the Shares are recorded immediately preceding the day on which the Company makes an announcement of an offer under an equal access scheme; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

*[See Explanatory Note (iv)]*

8. To transact any other business which may be properly transacted at an Annual General Meeting.

FOR AND ON BEHALF OF THE BOARD

Khor Peng Soon
Non-Executive Chairman
8 June 2020

***Explanatory Notes:***

i. Key information on Mr Kwek Swee Heng can be found on page 12 of the Annual Report 2019. Mr Kwek Swee Heng will, upon re-election as Director of the Company, remain as a member of Audit Committee, Nominating Committee, Remuneration Committee and Risk Review Committee.

ii. Resolution No. 5, if passed, will empower the Directors from the date of the passing of Ordinary Resolution No. 5 to the date of the next Annual General Meeting, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the issued *shares* (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, with a sub-limit of 20% of the issued shares (excluding treasury shares and subsidiary holdings, if any) for issues other than on a pro-rata basis to shareholders.

# NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

iii. Resolution 6, if passed, will empower the Directors, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant options and allot and issue shares in the Company pursuant to the 2011 Scheme of up to a number not exceeding in total 15% of the issued shares in the capital of the Company from time to time pursuant to the exercise of the options under the 2011 Scheme.

iv. Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of on-market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares in the capital of the Company at the Maximum Price as defined in the Circular to Shareholders dated 8 June 2020.

**Measures to Minimise Risk of Community Spread of COVID-19**

On 3 April 2020, the Singapore Government announced the implementation of circuit breaker measures (enhanced safe distancing measures and closure of non-essential workplace premises) to curb the further spread of COVID-19.

The COVID-19 (Temporary Measures) Act 2020 passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister for Law on 13 April 2020 provides legal certainty to enable issuers to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution).

A joint statement had been issued on 13 April 2020 by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation providing additional guidance for listed and non-listed entities on the manner in which general meetings are to be conducted during the elevated safe distancing measures period.

In light of the above developments, the Company is arranging for a live webcast of the AGM proceedings (the "**Live AGM Webcast**") which will take place on 29 June 2020 at 10.00 a.m. in place of the original scheduled physical meeting. Shareholders will be able to watch the AGM proceedings through the Live AGM Webcast, and the Company will not accept any physical attendance by shareholders. Any shareholder seeking to attend the AGM physically in person will be turned away.

Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at www.trek2000.com.sg/index.php/financial-news/. This Notice will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

The annual report for the financial year ended 31 December 2019 ("**2019 Annual Report**") and the circular dated 8 June 2020 in relation to the proposed renewal of the share buyback mandate ("**Circular**") have been published on SGXNET and on the Investors Relations page on the Company's corporate website, www.trek2000.com.sg/index.php/financial-news/.

**Participation in the AGM via live webcast or live audio feed**

1. As the AGM will be held by way of electronic means, shareholders will **NOT** be able to attend the AGM in person. All shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to participate in the AGM proceedings by accessing a live webcast or live audio feed. To do so, shareholders are required to pre-register their participation in the AGM ("**Pre-registration**") at this link, **https://on.skr.ma/trek2000-agm** (the "**Registration Link**") by 10.00 a.m. on 26 June 2020 ("**Registration Deadline**"), providing their full name and identification number for verification of their status as shareholders (or the corporate representatives of such shareholders).

2. Upon successful registration, each such shareholder or its corporate representative will receive a verification email by 5.00 p.m. on 26 June 2020. The email will contain instructions to verify your email address. Each authenticated and verified shareholders or its corporate representative will be able to access the live webcast or live audio feed of the AGM proceedings using the account information created during the registration process on the Registration Link. Shareholders or their corporate representatives must not forward the email to other persons who are not shareholders and who are not entitled to participate in the AGM proceedings. Shareholders or their corporate representatives Shareholders who register by the Registration Deadline but do not receive an email response by 12.00 p.m. on 26 June 2020 may contact the Company by email to **fy2019agm@trek2000.com.sg** for assistance.

# NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

**Voting by proxy**

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the www.trek2000.com.sg/index.php/financial-news/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

4. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf and must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

5. The duly executed proxy form must be submitted via one of the following means:

   (a) during registration on Registration Link, **https://on.skr.ma/trek2000-agm**, not later than 10.00 am on 26 June 2020;
   (b) mail to the registered office of the Company at 30 Loyang Way, #07-13/14/15, Singapore 508769 not later than 10.00 am on 26 June 2020; or
   (c) email to email address: **fy2019agm@trek2000.com.sg**, not later than 10.00 am on 26 June 2020.

   In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. A Depositor shall not be regarded as a member of the Company unless his/her name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.

**Submission of Questions**

7. Shareholders may submit questions relating to the items on the agenda of the AGM via one of the following means:

   (a) during registration via the Registration Link, **https://on.skr.ma/trek2000-agm**
   (b) by mail to the registered office of the Company at 30 Loyang Way, #07-13/14/15, Singapore 508769; or
   (c) email to email address: **fy2019agm@trek2000.com.sg**

   All mails and emails should include the full name and identification number of shareholders for authentication purposes. All questions must be submitted by 10.00 a.m. on 26 June 2020.

8. The Company will endeavour to address the substantial and relevant questions before the AGM. The responses to such questions from shareholders will be posted on the SGXNET and the Company's website by 29 June 2020, or addressed at the AGM.

**Important reminder**

9. Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email.

**Personal Data Privacy:**

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

# NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

(i) administration and analysis of the Company (or its agents or service providers) for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty;

(iii) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);

(iv) the processing of the Pre-registration for purposes of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live webcast or live audio feed of the AGM proceedings and providing them with any technical assistance where necessary;

(v) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;

(vi) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(vii) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

This page has been intentionally left blank.

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

**TWENTY FIRST ANNUAL GENERAL MEETING**
# PROXY FORM

**IMPORTANT:**
1. The Annual General Meeting ("AGM") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means, submission of questions in advance of the AGM, addressing of substantial and relevant questions before or at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Notice of AGM dated 8 June 2020.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/ its voting rights at the AGM.**
4. For investors who have used their CPF/SRS monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. CPF/SRS investors are requested to contact their respective Agent Banks for any queries they may have with regard to the appointment of the Chairman of the Meeting as the proxy.

*I/We, .................................................... (Name) .................................................... (NRIC/Passport no.)

of ........................................................................................................ (Address)

being *a member/members of Trek 2000 International Ltd (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held by electronic means on Monday, 29 June 2020 at 10.00 a.m., and at any adjournment thereof.

We have indicated with an "X" in the appropriate box against each item below how I/we wish the Chairman of the Meeting as my/our proxy to vote, or to abstain from voting.

**In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

| Resolution No. | Ordinary Resolutions | For# | Against# | Abstain# |
|---|---|---|---|---|
| 1. | To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2019 and the Directors' Statement and the Auditors' Report thereon. | | | |
| 2. | To approve the payment of the Directors' fees of S$105,000 for the financial year ended 31 December 2019. | | | |
| 3. | Re-election of Mr Kwek Swee Heng as a Director of the Company. | | | |
| 4. | Re-appointment of Messrs Foo Kon Tan LLP as Auditors of the Company and authority for Directors to fix their remuneration. | | | |
| 5. | Authority for Directors to allot and issue shares. | | | |
| 6. | Authority for Directors to offer and grant options and allot shares, pursuant to the Trek 2000 International Ltd Share Option Scheme 2011. | | | |
| 7. | Renewal of Share Buy-Back Mandate. | | | |

**Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of ordinary shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.**

Dated this ______________ day of _________________ , 2020

| Total number of Shares in : | No. of Shares held |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_______________________________
Signature(s) of Member(s)/ Common Seal

**IMPORTANT**: Please read notes overleaf

***Notes:***

1. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.**

3. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must submitted via one of the following means: (a) during registration on the Registration Link, **https://on.skr.ma/trek2000-agm** not later than 10.00 am on 26 June 2020; (b) mail to the registered office of the Company at 30 Loyang Way, #07-13/14/15, Singapore 508769 not later than 10.00 am on 26 June 2020; or (c) email to **fy2019agm@trek2000.com.sg,** not later than 10.00 am on 26 June 2020. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The Company shall be entitled to reject the instrument appointing the Chairman as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

6. **Personal data privacy:** By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 June 2020.

INNOVATION: INSIDE OUT

30 Loyang Way #07-13/14/15
Loyang Industrial Estate
Singapore 508769
Telephone : (65) 6546 6088
Fax : (65) 6546 6066
www.trek2000.com.sg