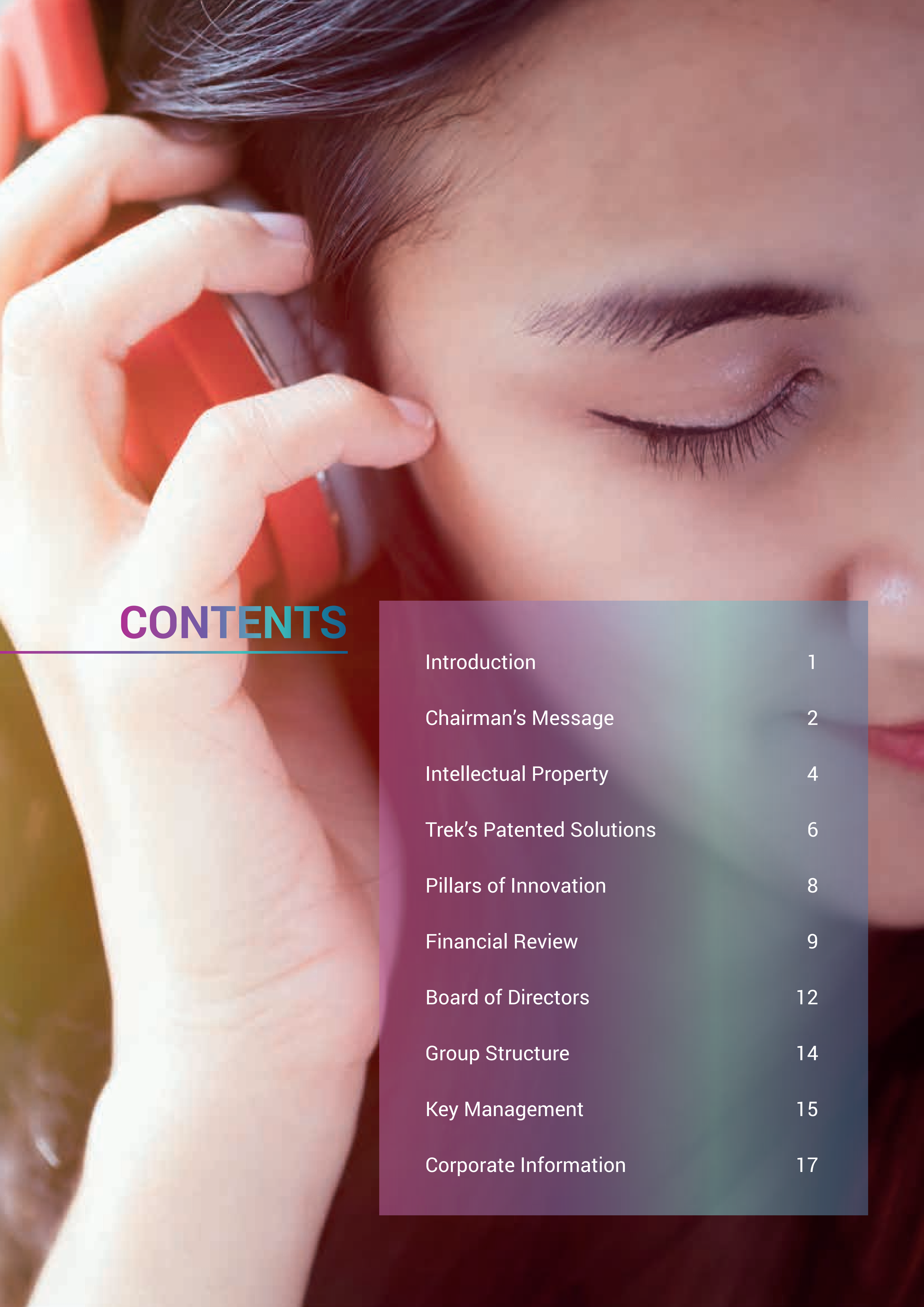
Annual Report 2018

TREK®
INNOVATION: INSIDE OUT

Engineering Green Energy Solutions Through Smart Innovations



CONTENTS

Trek 2000 International Ltd ("Trek") is a global industry innovator, patent owner and inventor of the revolutionary ThumbDriveUSB 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Trek 2000 International Ltd ("Trek" or "the Group"), I am honoured to present our annual report for the financial year ended 31 December 2018 ("FY2018").

A Challenging Macroeconomic Environment

The subdued global economic environment coupled with trade tensions between the US and China presented challenges to our business in FY2018. Weakening customer demand in the region arising from these trade tensions was a key cause for the decline in our financial performance during the year. For FY2018, we saw the worst sales performance in our corporate history. During this challenging period, we adopted a prudent approach in prioritising projects based on their profit contributions. The new management team had to focus on retaining customers'/vendors' confidence.

Building up the Leadership Team with Support from Chairman Emeritus

Our Chairman Emeritus, Mr Henn Tan, was instrumental in inventing the ubiquitous thumb drive, which revolutionised the global portable media storage industry. Mr Tan also saw Trek through its IPO listing on the Singapore Exchange in 2000. Under his charge, Trek had a portfolio of more than 380 patents, with offices across the region. Mr Tan's guidance led the Group to several notable awards including being named as one of the "Best Small Companies in the World" by Forbes in 2000 and 2002, and "Best Managed Small Company in Singapore" by AsiaMoney in 2003.

As the founder and major stakeholder, Mr Tan has brought the Group to where it was prior to his voluntary stepping down in early 2018. In the best interests of the Group's long-term profitability and sustainability, the Board has written to the SGX on the re-appointment of Mr Henn Tan.

Today, Trek is undergoing restructuring under a new management team and Mr Tan's active involvement will help to ensure that this will be carried out successfully.

Relentlessly Innovating to Stay Ahead of the Curve

Since our inception more than 20 years ago, change has been the only constant at Trek. In order for us to continue to be ahead of the technological curve and to stay relevant, we are actively pursuing R&D initiatives and innovations. Even before the advent of IoT, we had been laying the ground work to capitalise on its growth potential.

At Trek, we continuously reinvent ourselves to stay at the cutting edge of mobile data transfer and storage technology, and this is what distinguishes us from our competitors. Through our innovations, we continue to focus on building capabilities that allow us to leapfrog into the next generation of technology in consumer wearables, medical and cloud technologies. We are confident that our strategies to further penetrate the IoT market will ensure our long term success.

In the near term, we expect to launch new solutions in 2019. Our overarching strategy to grow is supported by our asset light business model. This has allowed us to stay nimble and mitigate our risks.

Entering the Renewable Energy Industry

On 14 January 2019, we announced a US$3.0 million investment in Terrenus Energy Pte Ltd ("Terrenus Energy"), an energy solutions company with operations in Singapore, Australia and China. Through this investment, funded entirely by the Group's internal resources, Trek will effectively hold a 7.5% stake in Terrenus Energy.

Incorporated in Singapore in 2016, Terrenus Energy is an energy solutions company that builds solar energy systems that generate electric power for utilities and other end users.

We look forward to collaborating with Terrenus Energy to bring our next-generation technology to the renewable energy market, leveraging on both parties' expertise and research capabilities. Through this strategic partnership, we hope to help Terrenus Energy grow to become the face of renewable energy and preferred energy solutions provider in a market, that presents tremendous opportunities for growth.

Appreciation

On behalf of the Board of Directors, I would like to extend my sincere appreciation to all our associates and shareholders who have been instrumental in our success over the past years. We look forward to your continued support as we seek to chart our growth trajectory for the years ahead.

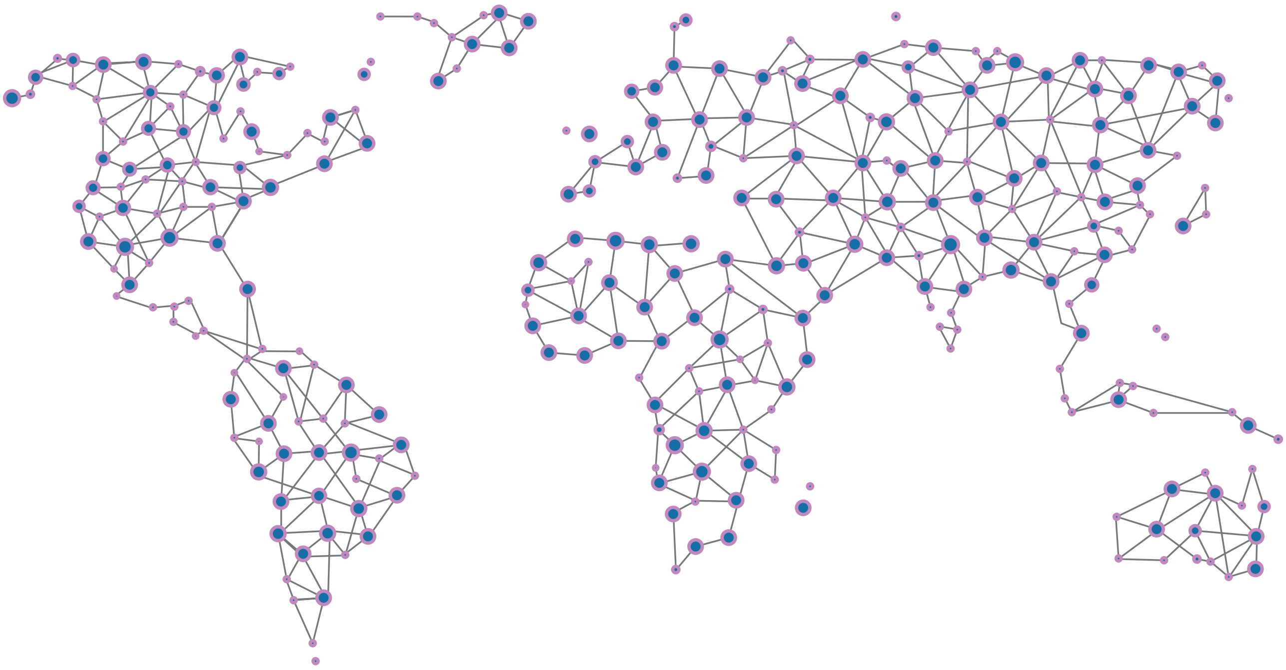
We are in the business of improving lives through our inventive products and solutions. This is a promise we will continue to uphold and I am grateful for your support in order to make this happen.

Khor Peng Soon
Non-Executive Chairman and Non - Independent 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.

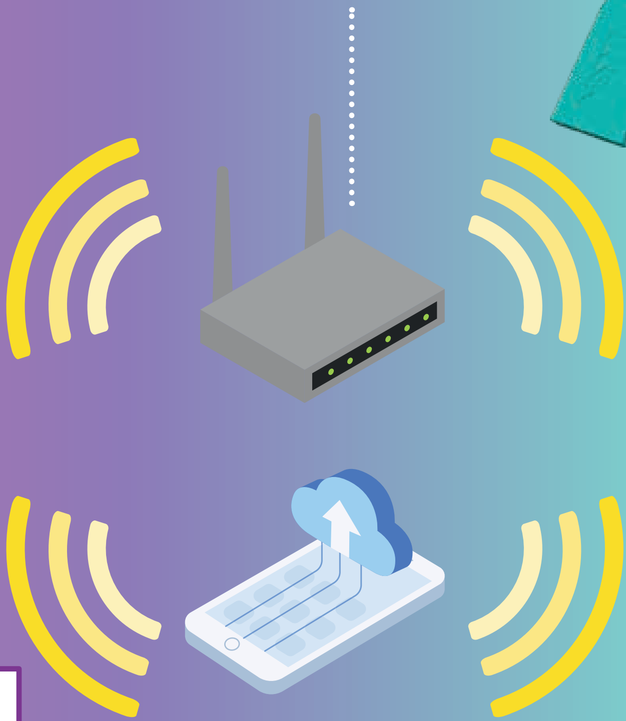
Patient Alert System (PAS)

- Real-time tracking of patient activity

MedTech Cloud

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

- 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®

c. 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 in order to detect its humidity and temperature. When a diaper gets wet, the device will then immediately notify the parent or care-giver.

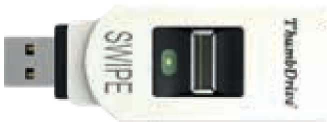
ThumbDrive® Crypto

ThumbDrive® Cloud

Trek's iSSD

ThumbDrive®

ThumbDrive® Swan



ThumbDrive® Swipe

2. THUMBDRIVE® SOLUTIONS

a. Trek's iSSD
Trek iSSD (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. The device also acts as a Powerbank to charge itself and other mobile devices wirelessly.

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

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

d. 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.

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

f. 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.

g. 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.

h. 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 2018 ("FY2018"), the Group reported a 73.3% year-on-year ("yoy") decrease in revenue to US$30.1 million. The decrease in our revenue was mainly due to the weakening customer demand in the region arising from the trade war. Gross profit decreased 93.6% yoy to US$1.1 million, while gross profit margin decreased from 15.4% to 3.7%. 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$3.7 million in FY2018 as compared to a net profit of US$8.5 million in FY2017. This resulted in a basic earnings per share of negative 1.14 cents in FY2018 as compared to a positive earnings of 2.61 cents in FY2017.

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

Revenue
The decrease in revenue of 73.3% to US$30.1 million was mainly due to the weakening customer demand in the region arising from the trade war in 2018.

Profitability
Gross profit decreased by 93.6% to US$1.1 million in FY2018. Gross profit margin decreased from 15.4% in FY2017 to 3.7% yoy in FY2018. The lower profit margin in FY2018 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 increased by 2.0% yoy to US$1.1 million in FY2018 mainly due to the increase in investment returns from bonds and fixed deposits as a result of the increase in interest rate in the market in FY2018.

- Other income decreased from US$413,594 in FY2017 to US$91,200 in FY2018 mainly due to the unrealized foreign exchange loss in FY2018 as compared to unrealized foreign exchange gain in FY2017.

Expenses
The Group's total expenses amounted to US$5.4 million in FY2018 (FY2017: US$9.1 million) representing a decrease of 39.9% yoy. The factors contributing to the changes are as follow:
- Research and development ("R&D") expenses reported a decrease of 57.5% yoy to US$1.3 million in FY2018 (FY2017: US$3.1 million). The decrease was mainly due to the lower R&D expenses incurred in FY2018.
- Marketing and distribution expenses decreased by 33.1% yoy to US$1.3 million in FY2018 (FY2017: US$1.9 million). This was mainly due to decrease in marketing activities in FY2018.
- General administrative expenses decreased from US$2.6 million in FY2017 to US$2.0 million in FY2018 mainly due to lower professional and legal expenses, and staff-related cost in FY2018.
- Other expenses decreased from US$1.4 million in FY2017 to US$830,437 in FY2018 as the FY2017 expenses included a loss of disposal of subsidiary of USD 1.1 million.
- There was no finance expense incurred in FY2018 (FY2017: US$17,512).

Net profit after tax attributable to owners of the Company
The Group reported a net loss attributable to owners of the Company of US$3.7 million in FY2018 (FY2017: net profit of US$8.5 million). Earnings per share were a negative of 1.14 cents in FY2018 as compared to a positive 2.61 cents in FY2017.

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$1.5 million in FY2017 to US$1.3 million in FY2018 was mainly due to depreciation of US$250,612 in FY2018. Purchases made during the year amounted to US$20,891.

- **Intangible assets** – The decrease in Intangible assets from US$1.7 million in FY2017 to US$1.4 million in FY2018 was mainly due to amortisation expenses. The Group continues to invest in research and development on the latest technology in the market.

FINANCIAL REVIEW

- **Quoted investments** – The Group's investment in quoted investment in non-current asset decreased by US$5.9 million to US$10.6 million as at 31 December 2018 (31 December 2017: US$16.4 million). This decrease was mainly due to the switch of investments from bond to equity investments that were held for trading and categorized in current assets amounting to US$5.8 million as at 31 December 2018 (31 December 2017: Nil).

  Total investments in current and non-current as at 31 December 2018 amounted to US$16.4 million, a decrease of US$52,416 from 31 December 2017 (US$16.4 million). This slight decrease in the valuation of our investments was mainly due to a weaker bond and equity markets in FY2018.

- **Unquoted investments** – The Group invested in an unquoted fund that were held for trading, amounting to US$617,546 in FY2018 (FY2017: Nil).

- **Inventories** – The Group's inventories amounted to US$3.4 million as at 31 December 2018, an increase of US$2.3 million from US$1.1 million in 31 December 2017. Inventory turnover days in FY2018 were 57 days (FY2017: 4 days).

- **Trade and other receivables** – The Group's trade and other debtors amounted to US$674,759 as at 31 December 2018 as compared to US$3.3 million in 31 December 2017. The decrease was due to the lower sales revenue. Trade receivable turnover days were 11 days in FY2018 (FY2017: 9 days).

- **Trade payables and accruals** – The Group's trade payables amounted to US$25,366 as at 31 December 2018 as compared to US$1.9 million as at 31 December 2017. This was mainly due to the withdrawal of credit terms by a major supplier.

Cashflow

The Group's cash and cash equivalent as at 31 December 2018 amounted to US$25.7 million as compared to US$37.0 million as at 31 December 2017, a decrease of US$11.3 million.

The main decrease in the cash position in FY2018 was mainly due to the cash outflow from operating activities of US$7.2 million, investing activities (which was mainly in quoted & unquoted investments) of US$1.6 million, dividend payments of US$2.4 million and repurchase of Company's treasury shares under share buyback mandate of US$59,131.

The cash outflow in operating activities of US$7.2 million in FY2018 arose mainly from the cash outflow from operations amounting to US$3.0 million, investments in working capital of US$3.0 million and tax payment of US$1.7 million.

Segmental Analysis – by Business Segments

The Group's Interactive Consumer Solutions ("ICS") division continued to be the key revenue generator accounting for 90.2% 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 9.7% 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.

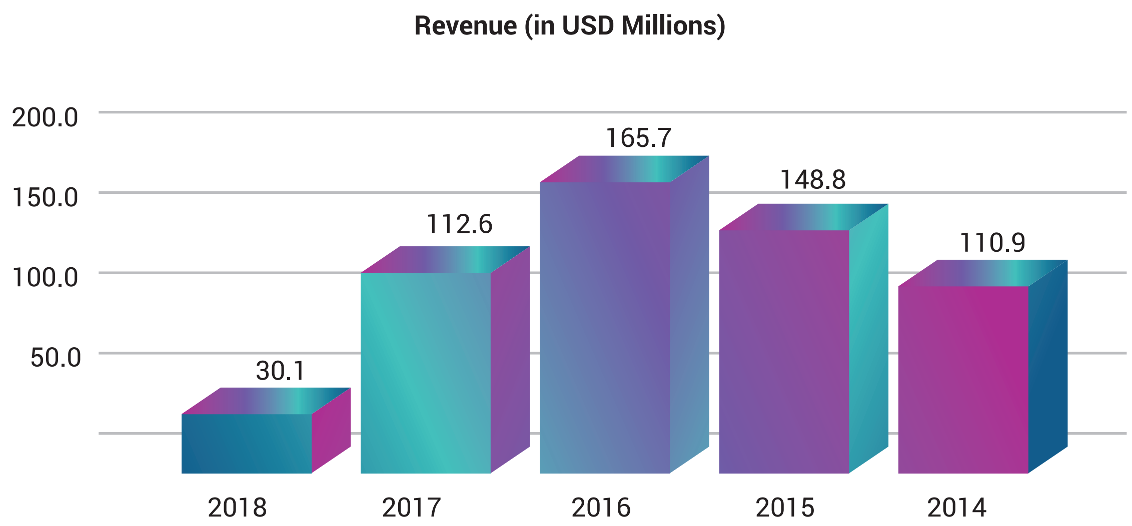
Segmental Analysis – by Geography

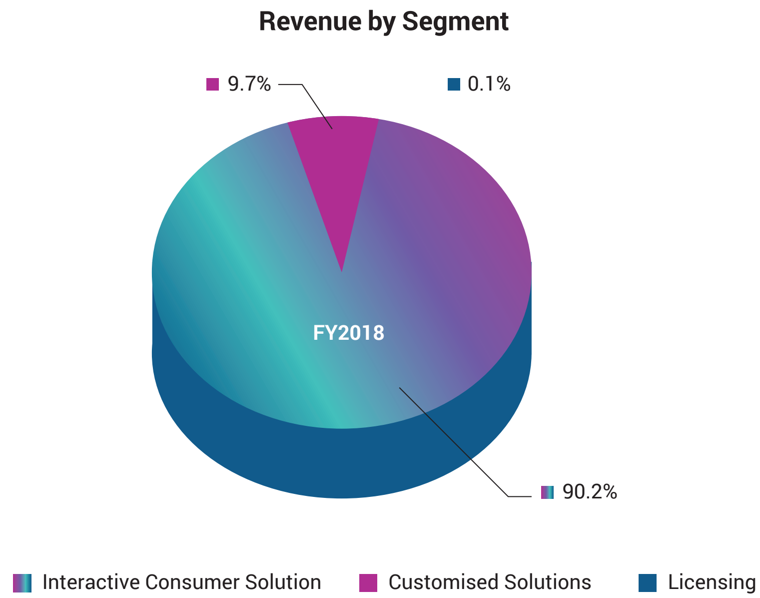
In FY2018, notwithstanding the market competition, the Group focused on key markets like China/Hong Kong, Taiwan and India. Indonesia is a new market that the Group penetrated in FY2018.

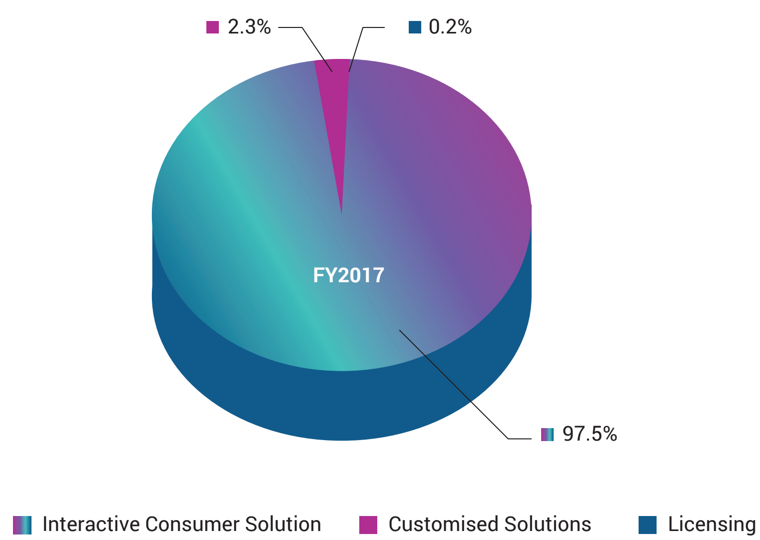
China/Hong Kong accounted for 72.1% of the total revenue, followed by Taiwan (10.0%), India (6.9%), Singapore (4.5%), Indonesia (3.9%) and Malaysia (2.2%).

As part of the Group's strategy to focus on key growth market in the regions in FY2018, Malaysia and Singapore saw a drastic drop of revenue by 97.1% and 41.0% respectively from FY2017.

FINANCIAL REVIEW







BOARD OF DIRECTORS

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 board of another public listed company, Plastoform Holdings Limited, as well as 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 member 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.

BOARD OF DIRECTORS

4

MR. WAYNE TAN JOON YONG

Group President and Executive Director

Mr Wayne Tan is the Group President and Executive Director of the Company. He was 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 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

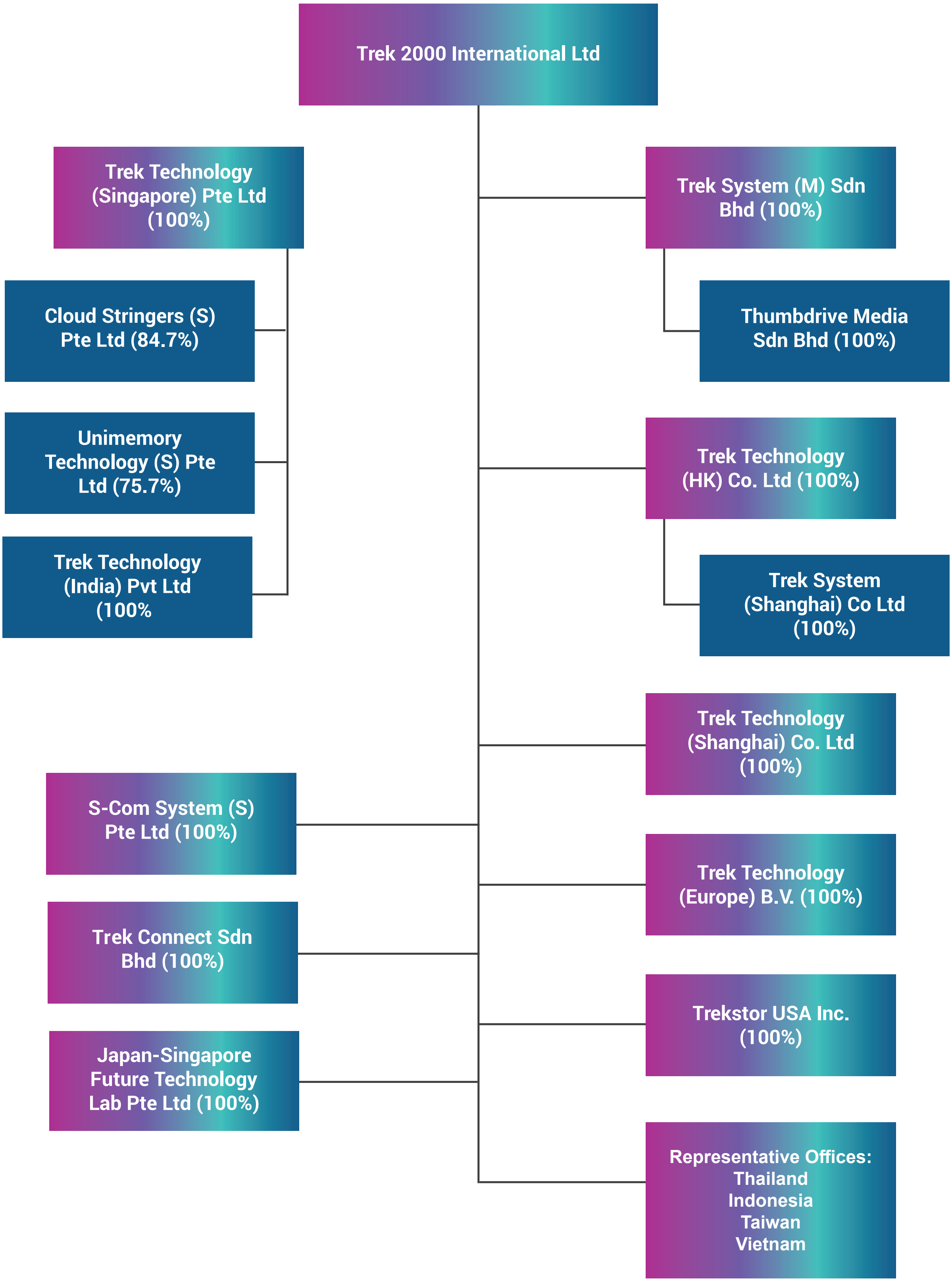
Mr Kuan is the President of Strategic Business and Executive Director of the Company. He was appointed to the board on 24 April 2018.

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



KEY MANAGEMENT

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 currently a FCA with the Institute of Singapore Chartered Accountants (ISCA).

MR. AMOL SANGEWAR
Head of Overseas Sales and Marketing
Mr. Amol Sangewar is currently the Head of Overseas Sales and Marketing. He has more than 15 years' experience in the industry. Mr Amol is presently responsible for our overseas sales and marketing. He holds a Bachelor of Engineering degree from the Government College of Engineering, Amravati, India, and a Post Graduate Diploma in Industrial Engineering from National Institute of Industrial Engineering, Mumbai, India.

MR. GOPU SIVA
General Manager - India
Mr. Gopu Siva is currently the General Manager of our India operations. He has more than 22 years' experience in the industry. Mr Gopu joined the Group in 1997 and is presently responsible for the sales and marketing, planning, strategy, accounting and administrations of our India operations. He holds a Bachelor of Business Administration degree from MS University Tamilnadu, 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
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.

MR. WIJAYA JAYADI
Sales Manager – Indonesia
Mr. Wijaya Jayadi is currently the Sales Manager of our Indonesia operations. He has more than 18 years' experience in the industry. Mr Wijaya is presently responsible for the sales and marketing, planning and strategy of our Indonesia operations. He holds a Bachelor of Business degree from Borobudur University, Indonesia.

MS. NATTATHAYA CHAISIRI
Sales Manager – Thailand
Ms Nattathaya Chaisiri is currently the Sales Manager of our Thailand operations. She joined the Group in 2016 and is presently responsible for the sales and marketing, planning and strategy of our Thailand operations. Ms Nattathaya holds a Bachelor of Business Administration degree from Phranakhon Rajabhat University, Thailand.

KEY MANAGEMENT

MR. NGUYEN MINH THANH

Assistant Manager – Vietnam

Mr. Nguyen Minh Thanh is currently the Assistant Manager of our Vietnam operations. He has more than 5 years' experience in the industry. Mr Nguyen is presently responsible for the sales and marketing, planning and strategy of our Vietnam operations. He holds a Bachelor of Engineering degree from Ho Chi Minh University of Technology, Vietnam.

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

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.

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 and Non-Independent Director)*
Chay Yee Meng *(Independent Director)*
Kwek Swee Heng *(Independent Director)*
(Appointed on 24 May 2018)

Executive
Tan Joon Yong Wayne *(Executive Director and Group President)*
(Appointed on 24 May 2018)
Kuan Mun Kwong *(Executive Director and President of Strategic Business)*
(Appointed on 10 April 2018)

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

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

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

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

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Loyang Industrial Estate
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STOCK LISTING
Singapore Exchange
Ticker Symbol: TREK
ISIN CODE: SG 1159-8829-65

SHARE REGISTRARS
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BANKERS
The Development Bank of Singapore Ltd
Overseas Chinese Banking Corporation Ltd
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AUDITORS
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AUDIT PARTNER IN-CHARGE
Raymond Kong Chih Hsiang
Date of Appointment: Financial Year Ended 31 December 2018

TREK® OVATION: INSIDE OUT

CloudStringers Eco-Solutions

COMPUTERS

ThumbDrive® Cloud

iSSD

IMAGING

Flucard® Ultra

SURVEILLANCE

Ai-Ball

MEDICAL

Ai-Ball

Smart Sensor for diapers

PAS

Trek Patented Innovations

FINANCIAL CONTENT

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

Trek 2000 International Ltd ("the Company") is committed to maintaining high standards of corporate governance in complying with the Code of Corporate Governance 2012 ("**2012 CGCode**") 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 strives to enhance the interests of all shareholders. The Company has adhered to the principles and guidelines of the 2012 CGCode. This report outlines the Company's corporate governance processes, practices and activities that were in place for the financial year ended 31 December 2018 ("**FY2018**"), with specific references to the guidelines of the 2012 CGCode, 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 the business is sustainable; the Group has to strike a balance between its business needs and the need 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 to be responsible stewards of its natural environment. The Company has done that 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 2018

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**	
	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**
Mr. Khor Peng Soon[1]	7	7	7	3	1	1	N.A.	N.A.	N.A.	N.A.
Mr. Chay Yee Meng[2]	7	7	7	7	N.A.	N.A.	1	1	N.A.	N.A.
Mr. Kwek Swee Heng[3]	7	2	7	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Tan Joon Yong Wayne[4]	7	4	N.A	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Kuan Mun Kwong[5]	7	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ms. Celine Cha Mui Hwang[6]	7	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Tan Henry @ Henn Tan[7]	7	4	N.A.	N.A.	1	1	N.A.	N.A.	N.A.	N.A.
Dr. Long Ming Fai Edwin[8]	7	2	N.A.	N.A.	N.A.	N.A.	1	1	1	1
Mr. Neo Gim Kiong[9]	7	1	7	3	N.A.	NA.	N.A.	N.A.	1	1
Mr. Loh Yih[10]	7	1	7	3	1	1	1	1	1	1
Professor Lee Chuen Neng[11]	7	0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. – Not Applicable

Denotes:

1 Mr. Khor Peng Soon was appointed as Non-Executive Chairman and Chairman of Remuneration Committee on 25 May 2018, and Member of Audit Committee, Nominating Committee and Risk Review Committee on 14 September 2018.

2 Mr. Chay Yee Meng was appointed as Chairman of Audit Committee and Nominating Committee on 25 May 2018, Chairman of Risk Review Committee on 13 June 2018, and Member of Remuneration Committee on 25 May 2018.

3 Mr. Kwek Swee Heng was appointed as Independent Non-Executive Director on 24 May 2018 and was appointed as a Member of the Audit Committee on 25 May 2018, Member of Risk Review Committee on 13 June 2018, and Member of Remuneration Committee and Nominating Committee on 14 September 2018.

4 Mr. Tan Joon Yong Wayne was appointed as Group President and Executive Director on 24 May 2018, and Member of Nominating Committee on 25 May 2018.

5 Mr. Kuan Mun Kwong was appointed as Executive Director on 10 April 2018 and Member of Risk Review Committee on 13 June 2018.

6 Ms. Celine Cha Mui Hwang stepped down as Independent Director, and ceased as Member of Audit Committee, Remuneration Committee, Nominating Committee and Risk Review Committee on 13 September 2018.

7 Mr. Tan Henry @ Henn Tan stepped down as Executive Chairman, Chief Executive Officer and Executive Director, and ceased as Member of Remuneration Committee on 25 May 2018. Mr Tan is presently appointed as the Chairman Emeritus and Consultant by the Company.

8 Dr. Long Ming Fai Edwin retired as Executive Director at the conclusion of the last AGM and, ceased as Member of Nominating Committee and Risk Review Committee on 24 April 2018.

9 Mr. Neo Gim Kiong was not re-elected as Independent Director in last AGM and, ceased as Chairman of Risk Review Committee and Member of Audit Committee on 24 April 2018.

10 Mr. Loh Yih stepped down as Independent Non-Executive Director and, ceased as Member of the Audit Committee, Remuneration Committee, Nominating Committee and Risk Review Committee on 8 May 2018.

11 Professor Lee Chuen Neng was appointed as Independent Non-Executive Director on 16 March 2018, and retired in last AGM on 24 April 2018.

Access to Information (Principle 6)

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 before the Board meeting and discussion may be focused on questions that the Board has about 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 years'/periods' actual results. In addition, management will also update the Board on matters of the Company from time to time when necessary.

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

The Directors have separate and independent access to the Company's senior management, who together with the Company Secretary, are responsible for ensuring 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, three of whom namely, Mr. Khor Peng Soon, Mr. Chay Yee Meng and Mr. Kwek Swee Heng were Independent Non-Executive Directors for the year ended 31 December 2018. 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 Code of Corporate Governance 2018, Mr Khor is deemed to be a Non-Executive Non-Independnet Director of the Company.

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. As Independent Directors made up more than half of the Board for the year ended 31 December 2018, there was strong independent element on the Board and 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.

As three (3) out of its five (5) Directors are Independent Directors, the requirement of the Code that the Independent Directors must made up majority of the Board, where the Chairman of the Board is an Independent Director, is satisfied. The Independent Director is required to declare his independence by duly completing and submitting a "Confirmation of Independence" form. Each of the Independent Director has confirmed that he does not has any relationship with the Company or its related corporations, its shareholders who have an interest of at least 10% of the Company's totals voting shares, or its officers including confirming not having any relationship and circumstances set out in guideline 2.3 of the 2012 CGCode, 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 Directors have 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

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

and attention are being devoted by the Directors to the affairs of the Company and the Group during FY2018. 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 communicated 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 2012 CGCode, 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 Chairman 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;

(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 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;

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

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 Directors' 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 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 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 reviews the independence of the Directors as mentioned under Guideline 2.3 of the 2012 CGCode on an annual basis. The NC has affirmed that Mr. Khor Peng Soon, Mr. Chay Yee Meng and Mr. Kwek Swee Heng are independent and free from any relationship outlined in the 2012 CGCode. Each of the Independent Directors has also confirmed his independence in accordance with the 2012 CGCode. None of the Independent Director has served on the Board beyond nine (9) years from their respective date of appointment. Hence, Guideline 2.4 of the 2012 CGCode is not applicable to the Board.

At each Annual General Meeting ("**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. Khor Peng Soon and Mr. Chay Yee Meng will be due for retirement pursuant to Article 103 of the Company's Constitution. Mr. Kuan Mun Kwong, Mr. Kwek Swee Heng and Mr. Tan Joo Yong, Wayne, the newly appointed Directors will submit themselves for retirement pursuant to Article 108 of the Company's Constitution at the forthcoming AGM.

Mr. Khor Peng Soon will, upon re-election as Director, remains as Non-Independent Non-Executive Chairman of the Board, the Chairman of the Remuneration Committee and Member of the Audit Committee and Risk Review Committee.

Mr. Chay Yee Meng will, upon re-election as Director, remains as the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee and Risk Review Committee. The Board considers Mr. Chay Yee Meng to be independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

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 for the aforesaid Directors who are due for retirement pursuant to Articles 103 and Article 108, respectively of the Constitution of the Company, to seek re-election at the forthcoming AGM.

In making the recommendation, the NC considers the overall contribution and performance of the Directors.

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.

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

As at the date of this Report, none of the Independent Directors hold 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 Directors 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 comprises 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.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)

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;

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.

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

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 FY2018.

Level and Mix of Remuneration (Principle 8)

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 comprises 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 some 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.

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.

Disclosure on Remuneration (Principle 9)

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 FY2018 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(2)(	100	–	–	–	100
Ms. Celine Cha Mui Hwang(3)	100	–	–	–	100
Mr. Tan Joon Yong Wayne(4)	–	95	5	–	100
Mr. Kuan Mun Kwong(5)	–	93	7	–	100
Mr. Tan Henry @ Henn Tan(6)	–	85	15	–	100
Dr. Long Ming Fai Edwin(7)	–	79	21	–	100

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

(1) Aggregate fees are subject to approval by shareholders at an AGM.

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

(3) Ms. Celine Cha Mui Hwang stepped down as Independent Director on 13 September 2018.

(4) Mr. Tan Joon Yong Wayne was appointed as Group President and Executive Director on 24 May 2018.

(5) Mr. Kuan Mun Kwong was appointed as Executive Director on 10 April 2018.

(6) Mr. Tan Henry @ Henn Tan stepped down as Executive Chairman, Chief Executive Officer and Executive Director on 25 May 2018. Mr Tan is currently appointed the Chairman Emeritus and Consultant by the Company.

(7) Dr. Long Ming Fai Edwin retired as Executive Director in last AGM on 24 April 2018.

In aggregate, the total remuneration paid to the top five (5) key management personnel in FY2018 was US$171,434.

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 2018 is shown in the following bands:

Remuneration Band	Name of Executives
Below S$250,000	Mr. Johnny Yeo – Director of Finance
	Mr. Chan Koon Keet – Head of R&D, Kuala Lumpur
	Mr. Eddie Chan Kam Loy - Country manager, Malaysia
	Mr. Gopu Siva – Country Manager, India
	Mr. Leo Wu - Country Manager, China/Hong Kong

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 whose remuneration exceed S$50,000 during FY2018 except for Mr Tan Boon Tat, Mr Tan Boon Siong and Mr Tan Boon Liew, uncles of Mr Tan Jong Yong Wayne, whose remunerations are in the band range of S$50,000 to S$100,000.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls (Principle 11)

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.

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

(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 procedures supporting reporting 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) the Company's risk management and internal control systems in place are effective.

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 and 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.

Audit Committee (Principle 12)

The AC comprises three Board members, all of whom are Independent and Non-Executive Directors. 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 seven 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 Group and the Company and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Group's and the Company's management to the external and internal auditors;

REPORT ON CORPORATE GOVERNANCE

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(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.

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 FY2018, S$137,500 (US$100,375) was paid and payable to the external auditors for audit and non-audit services, of which S$27,500 (US$20,075) or 20% 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 keep 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

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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 92 of this Annual Report. The Company has complied with Rules 712 and 715 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 a whistle-blowing policy where staff of the Group may, in confidence, may 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 (Principle 13)

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 auditor's 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.

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 report. 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 (Principle 10)

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 (Principle 14)
Communication with Shareholders (Principle 15)
Greater Shareholder Participation (Principle 16)

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 regards, shareholders are informed of Shareholders' meetings through notices published

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

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 Auditor's 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 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 ("IR") team that communicates with its shareholders and analysts regularly and attends to their queries. The IR team helps the Company promotes relations and acts as liaison for institutional investors and public shareholders.

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 of 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 2018 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.

Financial and other communication 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 Trek 2000 shares 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

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 Interested Party Transaction inquiry. The AC and the Board have reviewed all interested person transactions for FY2018 and confirms that there was no interested person transaction in FY2018.

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

REPORT ON CORPORATE GOVERNANCE

Financial year ended 31 December 2018

MATERIAL CONTRACTS

No material contracts were entered into between the Company or any of its subsidiaries with any Director or controlling shareholder during the FY2018.

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.

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.

SUSTAINABILITY REPORT

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. We also entered into the area of high speed genomics analysis utilizing artificial intelligence, deep learning, encrypted cloud data storage and clinical dashboarding and have incorporated a wholly-owned subsidiary, SGenome Precisionsomics Pte Ltd during the year.

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 last year, we have identified the most critical Environmental, Social, and Governance ("ESG") factors of the Group's operations and evaluated the current policies, procedures and practices of the Group with reference to the factors identified, and also set realistic qualitative targets for us to refine our reporting in future. In our subsequent year's reporting, we will review and follow up on all the factors identified during the previous years by adding more or removing existing factors which are no longer critical to our operations. From there, we will assess the adopted policies and procedures and determine whether the Group has met the targets set in prior year. If required, there will be recommendations and new qualitative targets set for the Group to achieve.

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.

SUSTAINABILITY REPORT

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:

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

SUSTAINABILITY REPORT

1.2 Engaging Stakeholders

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

Key Stakeholder	Topics	Stakeholder Engagement
1. Suppliers/Business Partners	• Product quality • Needs analysis • Competitive pricing • Supplies of components on a timely basis	• Monthly meetings with key suppliers
2. Customers/Business Partners	• Product quality • Needs analysis • Competitive pricing • Customer privacy • Delivery allocation	• Customer feedback management • Face-to-face meetings with key customers • Social media - Facebook - Online purchase platform - Youtube • Focus group meetings by visiting customer offices • Informal dialogues
3. Shareholders	• Financial returns • Industry conditions and outlook • Business strategies, business growth • Dividend policy	• Annual General Meeting (AGM) • Extraordinary General Meeting (EGM) • Quarterly briefing and special announcements • Open hotline for shareholders
4. Employees	• Occupational health and safety • Environmental issues (e.g. working conditions) • Social issues (e.g. diversity, discrimination)	• Yearly employee appraisals • Employee feedback survey
5. Communities	• Community projects (e.g. products trial in Ren Ci Hospital and Gleneagles Hospital)	• Participation in community projects • Face-to-face meetings • Informal dialogues
6. R&D Institute, e.g.: A*Star, Genome Institute	• Innovations by Research & Development team of Genome Institute	• Face-to-face meetings • Informal dialogues
7. Government Institutions and Authorities	• Compliance to legislations • Provide feedback to government institutions for their improvements in services	• Comply to regulations • Feedback on business competitiveness and contributions to policies to help regulators improve their services
8. Education Institutions	• Contributions to training of future R&D professions	• Providing internships and training to students from institutions of higher learning • Providing opportunities for students to learn and pursue research in our industry

SUSTAINABILITY REPORT

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 see the most potential for creating 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. • Close communications with shareholders and addressing their concerns.
	• Resolving the internal control findings reported by the internal auditors, external auditors, or the regulators	• Working closely with auditors and Audit Committee on the internal control matters. • Communicating with Audit Committee and Board of Directors on regular basis.
	• Fair competition with business partners, customers / clients and suppliers / subcontractors.	• Fair pricing given to all customers and objective selection process in sourcing suppliers/ subcontractors. • Adopt ethical practices in our business.
2. Corporate Values and Code of Conduct	• Enhance the Group's code of conduct	• Put in place anti-corruption policy within the Group. • Put in place rules and regulations to ensure staff act ethically in dealings with external parties.
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. • Compliance to rules and regulations set by authorities. • Shorten processes to achieve efficiency and effectiveness.
	• 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.
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: o Network o Servers o Desktops/laptops • Rules and regulations relating to intellectual properties and compliances made to staff. • Installing CCTV in our offices for security measures.

SUSTAINABILITY REPORT

1.3 Targets and Strategies (Cont'd)

ESG Factors	Strategies	Targets
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. • Provide good incentives and rewards to staff eg. paid overseas holidays for staff. • 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 • 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. • 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. • Guiding staff on daily basis and monitoring performance. • 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. • Provide equal opportunities to local and overseas staff for career enhancement.

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. • Product updates to customer on regular basis.
	• Product innovation	• Innovate existing products. • Venture on products on consumer wearables, medical and cloud technologies. • Innovate existing products to change the world.
2. Capital management	• Investing in Quoted Investments and Fixed Deposit accounts.	• Considering possible investment opportunities to generate future income. • Maintaining good relationship with investment community for opportunities to invest in good business and ventures. • 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. • 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. • Set up R&D centres overseas. • Improve our existing products. • Innovate new products that change the world.

SUSTAINABILITY REPORT

1.3 Targets and Strategies (Cont'd)

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. • 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	• Drafting of waste management policy subject for review on annual basis • Promoting environmental awareness through regular training
2. Energy efficiencies	• Reducing energy consumption (e.g. electricity, fuels)	• Changing to eco-saver office equipment. • 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").
	• Contributing to society as a good corporate citizen	• Donate to charities to help society. • Take part in charity drive to promote social interest. • Provide free use of our products to young and talented people for their research projects.

1.4 Risk and Opportunities

Based on the identified material topics, we are focused on those we see the most potential for creating 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 privacy, reputational damage and legal implications. • 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 • Trusted and long-term partnerships with stakeholders • Foster and maintain employee trust and integrity by ensuring that all employees adhere to appropriate standards of conduct • Achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with industry regulations. • New and innovative products to increase the market for the Group. • Increase inventions to disrupt market and improve the way people work.

Approach: We aim to enhance our existing policies by drafting the policies on anti-corruption; anti-money laundering and countering the financing of terrorism; and dividends. We also plan to implement an open organisation communication channel with our stakeholders to improve sustainability management.

SUSTAINABILITY REPORT

1.4 Risk and Opportunities (Cont'd)

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

Approach: We aim to retain key personnel through giving priority to 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 • Occurrence of product liability resulting from sub-standard product quality • Counterfeiting and intellectual property theft
Opportunities	• Ongoing innovation in technologies to deliver affordable products • Value customer satisfaction for consumer's confidence in our product • Better use of excess funds • Enhance the value of company to shareholders. • 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 want 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 to come up with new products that disrupt technology and 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 • Green office (use of energy efficient/environment friendly office equipment) • Supporting charities by giving donations to local communities • Improve society at large through our efforts.

Approach: We look towards drafting a waste management policy and will conduct regular training to employees 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 strives to enhance the interests of all shareholders.

In line to the Group's commitment to maintain good decision-making processes in the best interests of the stakeholders and the shareholders, policies on anti-corruption; anti-money laundering and countering the financing of terrorism. The Group will also strengthen its IT policy especially in administering security solutions to safeguard against external breach of data. These policies and the existing key operating procedures and controls are reviewed by management on an annual basis.

SUSTAINABILITY REPORT

2.1 Corporate Governance (Cont'd)

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

2.2 Shareholders

The shareholders have taken a stance on corporate issues (i.e. environmental, social, economic) for 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 Group's matters, in terms of vision and future potentials, finance and competitiveness.

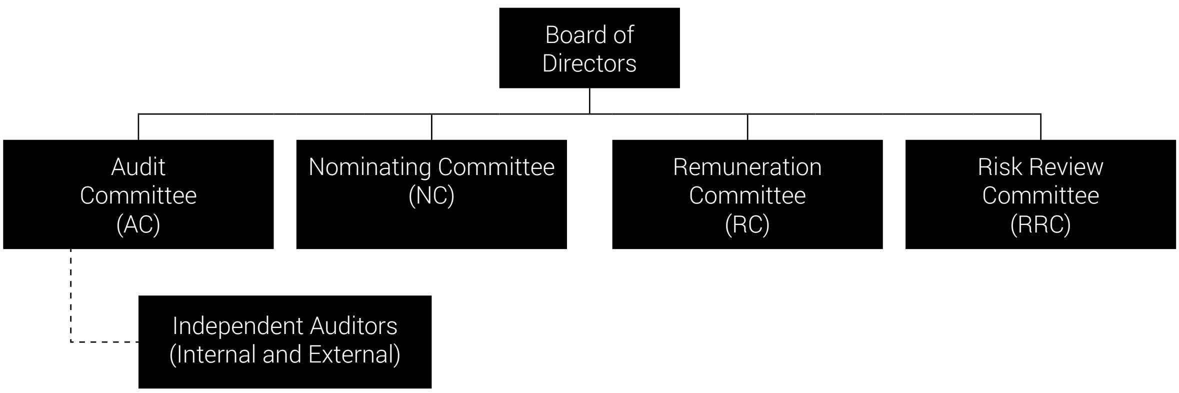
2.3 Board of Directors ("BOD")

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 quarterly basis and understands the affairs of the company and help guide the management towards the Group's sustainability strategy. The management will also consult the BOD and its committees on regular basis, and arrange ad-hoc meetings, if required, besides the scheduled quarterly meetings to discuss on matters that require the BOD inputs.

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.



SUSTAINABILITY REPORT

Sustainable Operations

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

As for Research and Development ("R&D") personnel, which are clustered by projects, in-house training is provided to keep the team updated on every new project and on current technology advancement to be more competitive. When a project is beyond the competency of the R&D team, the company employs experts for cost-effective innovations and partners with leading companies in the field.

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

3.1 Safe Operations

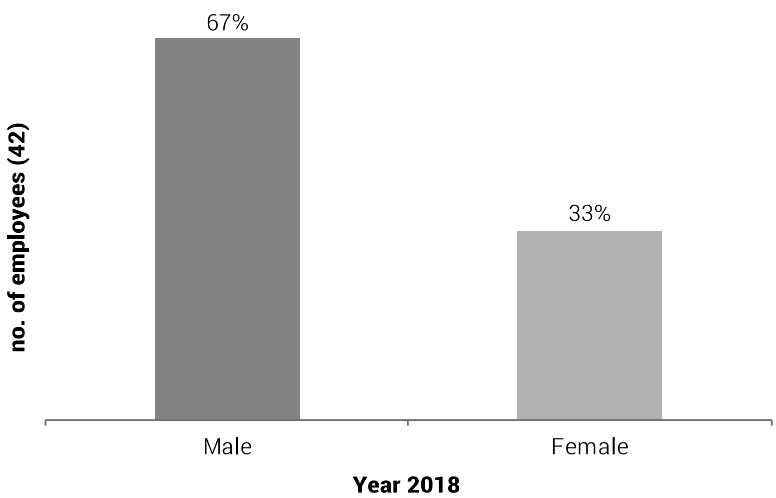
We promote safe operations in our workplace. Healthy and safety operation are top priority of every individual and we strive to achieve zero-accident in the workplace.

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 diversification promotes a larger pool of ideas and strategies to meet the needs of consumer.

RATIO OF MALE TO FEMALE EMPLOYEES

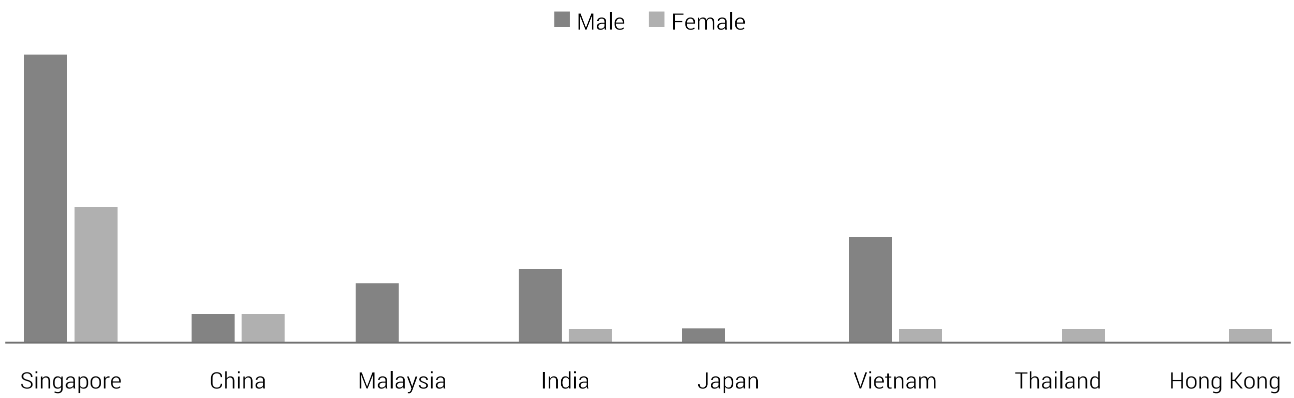


**The graph above denotes the gender ratio in their workforce.*

SUSTAINABILITY REPORT

3.2 Caring for Employees (Cont'd)

WORKPLACE DIVERSIFICATION



**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.

Performance assessment on employees are conducted annually in a constructive and objective manner. Staff's performance and recognition are given to employees.

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 also prefer 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. The Group also value adds its products and services to its customers. Prioritising the customers' needs, the Group provides immediate assistance to look into feedback and resolve any product issues brought up 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. This is taken to foster 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.

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 of our products also increases the ease of access, decrease frustration and save resources. Examples of this are our Smart Diapers, Smart Socks, Ai-Ball, etc.

SUSTAINABILITY REPORT

4.1 Product Innovation (Cont'd)

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 Key Performance Indicators (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 the 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. Staff is developed based on their strengths and groomed to take on higher responsibilities.

Sustainable World

We create innovative products and technologies beyond current technologies. Many of our products are 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 our products are environmentally acceptable.

In addition, the Group is looking towards maintaining an environmental quality balance through reducing the paper usage as we move towards a cloud platform in data collection, exchanging and storage of data; proper disposal by segregating R&D consumables; and changing to eco-saver office equipment to reduce energy consumption and carbon footprints.

We hope to continue to contribute to 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 would like 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 2018

We submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion,

(a) the accompanying financial statements of the Group and the Company 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 2018 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 (the "Act") 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 report are:

Khor Peng Soon (Non-Independent Non-Executive Chairman)
Tan Joon Yong Wayne (Group President and Executive Director) (Appointed on 24 May 2018)
Kuan Mun Kwong (Executive Director) (Appointed on 24 April 2018)
Chay Yee Meng (Independent Non-Executive Director)
Kwek Swee Heng (Independent Non-Executive Director) (Appointed on 24 May 2018)

Arrangements to acquire shares, debentures, warrants 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, warrants or options of the Company or any other corporate body, other than as disclosed in this report.

Directors' interests in shares
According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of Directors who held office at the end of the financial year (including those of their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Direct interest		Deemed interest	
Name of Directors	As at 1.1.2018 or date of appointment, if later	**As at 31.12.2018 and 21.1.2019**	As at 1.1.2018 or date of appointment, if later	**As at 31.12.2018 and 21.1.2019**
The Company				
Ordinary shares				
Tan Joon Yong Wayne	2,371,176	**2,371,176**	–	**1,839,250**
Chay Yee Meng	–	**998,000**	625,000	**625,000**
Kwek Swee Heng	–	**–**	301,000	**369,000**
Options to subscribe for ordinary shares in the Company				
Khor Peng Soon	90,000	**90,000**	–	**–**

DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

Directors' interests in shares (Cont'd)

		Deemed interest	
Name of Directors	Deemed interest held through:	As at 1.1.2018 or date of appointment, if later	**As at 31.12.2018 and 21.1.2019**
The Company			
Ordinary shares			
Tan Joon Yong Wayne	Wife, Soh MeiQi	–	**1,839,250**
Chay Yee Meng	Wife, Leong Wan Sing	625,000	**625,000**
Kwek Swee Heng	Wife, Lim Siew Kwan	301,000	**369,000**

Saved as disclosed above, the Directors' interests of the ordinary shares and options of the Company as at 21 January 2019 were the same as at 31 December 2018.

Except as disclosed in this statement, no Directors who held office at the end of the financial year had an interest in the shares, warrants, debentures and options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Shares Options

(i) The Trek 2000 International Ltd Share Option Scheme 2011 (the "ESOS 2011") was approved by shareholders at an extraordinary general meeting held on 21 April 2011. Following the approval, the Trek 2000 International Ltd share option scheme (the "ESOS 2001") was terminated (collectively the "ESOS").

(ii) 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 5 years from the date of grant.

(iii) The ESOS is administered by the Remuneration Committee which comprises the following Directors:

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

(iv) 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.

(v) During the financial year ended 31 December 2018, no options were granted and accepted under the ESOS 2011 to subscribe for ordinary shares.

(vi) During the financial year ended 31 December 2018, no options were exercised under the ESOS to subscribe for ordinary shares.

(vii) During the financial year ended 31 December 2018, 50,000 options were forfeited due to resignation of an employee.

(viii) Details on outstanding options to subscribe for ordinary shares as at 31 December 2018 are found in Note 27(b) to the financial statements.

DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

Shares Options (Cont'd)

(ix) Directors' share options under the ESOS are as follows:

Name of Director	Balance as at 1.1.2018	Options cancelled or lapsed	Options exercised	Balance as at 31.12.2018	Exercise price per share option	Exercisable period	ESOS Grant
Khor Peng Soon	90,000	–	–	90,000	0.362	10 February 2016 to 10 February 2020	No.19

Audit Committee

The Audit Committee ("AC") 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 these groups 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;

(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 7 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.

DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

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

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TAN JOON YONG, WAYNE
Group President and Executive Director

....

KUAN MUN KWONG
Executive Director

Dated: 5 April 2019

INDEPENDENT AUDITOR'S REPORT

to the members of Trek 2000 International Ltd and its subsidiaries

Report on the Audit of the Financial Statements

We have audited the accompanying 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 2018, and the consolidated statement of 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, except for the effects on ongoing investigations and opening balances as described in the Basis for Qualified Opinion section of our report, the accompanying financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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 Qualified Opinion

<u>Ongoing investigations and opening balances</u>

As disclosed in Note 3 to the financial statements, the Company has appointed an external professional firm to conduct an independent review into certain inconsistencies in accounting records and certain past transactions of the Group. The external professional firm released its Report on Suspicious Transactions (the "Phase 2 Report") on 23 April 2018. Seven issues were raised and the possible financial impacts on each of the issue were also assessed and quantified in the Phase 2 Report.

In prior years, the Company announced that several ex-key executives of the Company are assisting the Commercial Affairs Department ("CAD") of the Singapore Police Force in the investigations on a possible offence under the Penal Code, Chapter 224 pursuant to the provisions of the Criminal Procedure Code (Chapter 69, 2012 Revised Edition). The outcome of the CAD investigations and related actions by Singapore Exchange Regulation Pte Ltd ("SGX RegCo") in respect of potential breaches of the Listing Manual, is still pending. The majority of the accounting records in respect of the prior years are currently kept with CAD for their investigation and we were not granted access to review the audit working papers of the predecessor auditors. On this basis, we are unable to determine whether any adjustments are necessary in respect of the prior years' financial statements.

In view of the matters highlighted in the above paragraphs, there could be adjustments and/or disclosures, that may arise on certain financial statements' items, i.e. opening revenue reserve, trade and other payables and tax related liabilities.

Furthermore, the Company has disposed of Racer Group in the previous financial year ended 31 December 2017, resulting in a net loss on disposal of US$1,077,494 in the consolidated statement of comprehensive income.

The predecessor auditors were unable to perform the necessary audit procedures to satisfy themselves as to whether the financial statements of Racer Group were in form and content appropriate and proper for inclusion and disclosure in the financial statements for the financial year ended 31 December 2016, as well as for the period from 1 January 2017 to the date of disposal of Racer Group (i.e. 13 March 2017). Accordingly, they were unable to ascertain the accuracy of the recorded net loss on disposal of Racer Group recognised in the financial year ended 31 December 2017. In view of the above, the comparative consolidated statement of comprehensive income may contain misstatements that were not meaningful and comparable to the Group's performance for the current financial year.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is 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.

INDEPENDENT AUDITOR'S REPORT

to the members of Trek 2000 International Ltd and its subsidiaries

Information other than the Financial Statements and Auditor's Report Thereon (Cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information 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 the other information, we are required to report the fact. We were unable to obtain sufficient appropriate evidence about the matters as described in the Basis for Qualified Opinion section above. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to the 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. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

(1) Capitalisation of development costs

As at 31 December 2018, the Group's intangible assets comprised mainly internally generated development costs comprising directly attributable cost of materials and cost of employee benefits incurred on a project, amounting to US$1.19 million. During the current financial year, the Group accelerated the amortisation of the carrying amount of development costs on the remaining projects by US$0.28 million to Nil, as the forecasted cashflows to be derived from the remaining projects are expected to be lower than their respective carrying amounts.

The Group's research and development personnel are involved in the development of new product offerings and enhancements to existing products. Management exercises significant judgement in determining whether to expense or capitalise these costs, after considering (i) technical feasibility, (ii) intention and ability to complete the development, (iii) the ability to use or sell and generate future economic benefits from the intangible assets and (iv) the ability to measure the costs reliably involved as detailed in SFRS(I) 1-38 – *Intangible Assets*. Furthermore, rapid technological change in the industry would require management to determine whether there is an indication of impairment on the carrying value of the development costs that have been previously capitalised and this requires significant management judgement and assumptions which are affected by future market or economic developments. We have considered this to be an area of key audit focus.

We have obtained an understanding of management's process for assessing whether any research and development costs spent has met all the recognition criteria under SFRS(I) 1-38. We have also reviewed the detailed analyses prepared by management on the Group's research and development costs spent for the current financial year, allocated by product group and tested the reconciliation of the amounts reported to the accounting records. We have also considered other information, including product demonstration by management on the products and solutions being developed in relation to key customer contracts, the stage of related sales prospects and where appropriate, the level of sales generated from previous generation of products and solutions, to determine whether the status and performance of the current project under development corroborated with management's assertions over the technical feasibility and the ability to generate probable future economic benefits.

Other than the development costs incurred on the specific project mentioned in the preceding paragraphs, the results of our audit procedures did not identify any inconsistencies with management's conclusion that no material element of the spending incurred on research and development in the current financial year met the criteria for capitalisation. We have also assessed the adequacy of the disclosures in respect of the development costs in Note 5.

INDEPENDENT AUDITOR'S REPORT

to the members of Trek 2000 International Ltd and its subsidiaries

Key Audit Matters (Cont'd)

(2) Provision for slow-moving and obsolete inventories

As at 31 December 2018, the Group has gross inventories of US$5.74 million, with provision for slow-moving and obsolete inventories of US$2.35 million. Inventory balances comprise raw materials and finished products. The determination of provision for slow moving and obsolete inventories requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of the net realisable value to determine an appropriate level of provision required. This process also involves management to consider the price protection arrangements with certain key suppliers, adding complexity to the process. This process is also subject to uncertainty arising from rapid technological changes, given the nature of the Group's inventories. As such, we determined that this is a key audit matter.

As part of our audit of the carrying value of inventories, we evaluated the analyses and assessments made by management with respect to the carrying value 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 of management to obtain an understanding of the terms of the price protection arrangement that the Group has entered with its suppliers. We have also assessed the adequacy of the disclosures in respect of inventories in Note 9.

<u>Other matters</u>

The financial statements for the financial year ended 31 December 2017 and 31 December 2016 were audited by other firms of auditors whose report dated 27 March 2018 and 29 May 2017 respectively expressed a disclaimer of opinion on those financial statements.

On 26 April 2018, SGX RegCo issued a Notice of Compliance to the Company and exercised its administrative powers under the Listing Rule 1405(1)(e) to object the continuing appointment of certain ex-key management personnel of the Company as a Director and/or executive officer in any issuer for a period of three years from the date of the letter. In addition, SGX RegCo requires the Company to appoint independent professionals to undertake an independent review of the Company's internal controls and corporate governance practices pursuant to Listing Rule 1405(1)(f). The Company will be required to seek the Exchange's approval on the firm to be appointed, the terms of reference for the engagement and the scope of the independent review. The Company has appointed Baker Tilly TFW to conduct the independent review.

SGX RegCo also requires a confirmation from every member of the Board that the internal procedures put in place by the Board to safeguard the Group's cash (including the change of cheque signatories) are adequate and effective. During the course of our audit, we noted that the process of changing of cheque signatories for some overseas bank accounts are still ongoing. Management explained that the delay was due to the bureaucratic and lengthy process in making the changes to the cheque signatories, and this was subsequently resolved by transferring the significant bank balances to other bank accounts where bank signatories have been previously changed. As at the date of this report, the changes to the cheque signatories have been completed, except for one bank account, whose entire amount has been transferred to another bank account where the bank signatories have been previously changed.

On 4 December 2018, SGX-ST notified the Company that it would be placed on the Watch-List due to the Minimum Trading Price ("MTP") Entry Criterion with effect from 5 December 2018. The Company will have to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 December 2018, failing which SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

INDEPENDENT AUDITOR'S REPORT

to the members of Trek 2000 International Ltd and its subsidiaries

Responsibilities of Management and Those Charged with Governance 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.

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

- 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.

INDEPENDENT AUDITOR'S REPORT

to the members of Trek 2000 International Ltd and its subsidiaries

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

We also provide those charged with governance 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 those charged with governance, 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

Except for the matter described in the Basis for Qualified Opinion section of the report, the accounting and other records required by the Act to be kept by the Company and its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang, Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
5 April 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	The Group **31 December 2018 US$**	31 December 2017 US$ (Restated)	1 January 2017 US$	The Company **31 December 2018 US$**	31 December 2017 US$ (Restated)	1 January 2017 US$
Assets							
Non-Current							
Property, plant and equipment	4	**1,309,383**	1,539,881	10,314,463	**2,728**	8,817	13,093
Intangible assets	5	**1,366,979**	1,695,379	3,565,621	**176,844**	424,268	1,600,695
Interests in subsidiaries	6	**–**	–	–	**1,583,735**	1,602,580	3,484,976
Interests in associates	7	**–**	–	–	**5,407**	5,407	5,407
Financial assets	8	**10,570,526**	16,435,026	12,424,645	**10,570,526**	16,435,026	12,244,281
		13,246,888	19,670,286	26,304,729	**12,339,240**	18,476,098	17,348,452
Current							
Financial assets	8	**6,429,630**	–	–	**6,429,630**	–	–
Inventories	9	**3,395,690**	1,056,905	10,294,457	**–**	–	–
Trade and other receivables	10	**674,759**	3,254,199	17,106,736	**5,135,140**	4,333,705	562,834
Prepayments		**107,628**	153,495	258,798	**54,293**	83,035	75,886
Cash and short-term deposits	11	**25,689,899**	36,977,945	29,234,449	**7,471,201**	9,934,843	9,081,049
		36,297,606	41,442,544	56,894,440	**19,090,264**	14,351,583	9,719,769
Total assets		**49,544,494**	61,112,830	83,199,169	**31,429,504**	32,827,681	27,068,221
Equity							
Capital and Reserves							
Share capital	12	**37,828,941**	37,828,941	37,828,941	**37,828,941**	37,828,941	37,828,941
Treasury shares	12	**(321,886)**	(262,755)	(298,272)	**(321,886)**	(262,755)	(262,755)
Reserves	13	**6,826,367**	13,775,246	4,642,558	**(6,549,119)**	(5,478,667)	(11,688,870)
		44,333,422	51,341,432	42,173,227	**30,957,936**	32,087,519	25,877,316
Non-controlling interests		**1,295,920**	1,332,871	16,997,007	**–**	–	–
Total equity		**45,629,342**	52,674,303	59,170,234	**30,957,936**	32,087,519	25,877,316
Liabilities							
Non-Current							
Borrowings	14	**–**	–	966,657	**–**	–	–
Finance lease liabilities	15	**–**	–	158,843	**–**	–	–
Deferred tax liabilities	16	**25,016**	42,293	697,890	**–**	–	–
		25,016	42,293	1,823,390	**–**	–	–
Current							
Trade and other payables	17	**1,658,113**	3,949,585	18,669,970	**471,568**	740,162	1,190,905
Borrowings	14	**–**	–	1,241,102	**–**	–	–
Finance lease liabilities	15	**–**	–	150,748	**–**	–	–
Provisions	18	**1,400,000**	2,494,452	900,000	**–**	–	–
Income tax payable		**832,023**	1,952,197	1,243,725	**–**	–	–
		3,890,136	8,396,234	22,205,545	**471,568**	740,162	1,190,905
Total liabilities		**3,915,152**	8,438,527	24,028,935	**471,568**	740,162	1,190,905
Total equity and liabilities		**49,544,494**	61,112,830	83,199,169	**31,429,504**	32,827,681	27,068,221

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

The Group	Note	**Year ended 31 December 2018 US$**	Year ended 31 December 2017 US$ (Restated)
Revenue	19	**30,079,675**	112,616,855
Cost of sales	20	**(28,965,866)**	(95,250,850)
Gross profit		**1,113,809**	17,366,005
Interest income	21	**1,129,263**	1,107,058
Other income	22	**91,200**	413,594
Research and development	20	**(1,299,701)**	(3,059,235)
Marketing and distribution	20	**(1,276,805)**	(1,907,827)
General administrative expenses	20	**(2,042,956)**	(2,632,961)
Other operating expenses	23	**(830,437)**	(1,441,486)
Finance costs		**–**	(17,512)
(Loss)/ profit before income tax		**(3,115,627)**	9,827,636
Income tax	25	**(608,382)**	(1,216,537)
(Loss)/ profit for the year		**(3,724,009)**	8,611,099
Other comprehensive (expense)/income, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Net changes in fair value on quoted debt investments – FVOCI, at nil tax		**(1,051,438)**	656,395
Reclassified to profit or loss on disposal on quoted debt investments – FVOCI, at nil tax		**110,796**	10,335
		(940,642)	666,730
Effects on adopting SFRS(I) 1		**–**	238,463
Foreign currency translation differences		**95,613**	(25,127)
		(845,029)	880,066
Items that will not be reclassified subsequently to profit or loss			
Net deficit on revaluation of freehold and leasehold properties		**–**	(179,383)
Total other comprehensive (loss)/income		**(845,029)**	700,683
Total comprehensive (loss)/income for the year		**(4,569,038)**	9,311,782
(Loss)/ profit attributable to:			
Owners of the Company		**(3,687,058)**	8,452,179
Non-controlling interests		**(36,951)**	158,920
		(3,724,009)	8,611,099
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(4,532,087)**	9,152,862
Non-controlling interests		**(36,951)**	158,920
		(4,569,038)	9,311,782
(Loss)/ Profit per share		**Cents**	Cents
- Basic	26	**(1.14)**	2.61
- Diluted	26	**(1.14)**	2.61

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 2018

	Share capital US$	Treasury shares US$	Revenue reserve US$	Capital reserve US$	Asset revaluation reserve US$	Fair value adjustment reserve US$	Employee share option reserve US$	Translation reserve US$	Other reserves US$	Total attributable to equity holders of the parent US$	Non-controlling interests US$	Total equity US$
Balance at 1 January 2017, as previously reported	37,828,941	(298,272)	3,649,739	2,716,551	2,028,550	(103,039)	856,722	(1,004,726)	(3,501,239)	42,173,227	16,997,007	59,170,234
Effects of adopting SFRS(I) 1 (Note 33)	–	–	(1,004,726)	–	–	–	–	1,004,726	–	–	–	–
Balance at 1 January 2017, as restated	37,828,941	(298,272)	2,645,013	2,716,551	2,028,550	(103,039)	856,722	–	(3,501,239)	42,173,227	16,997,007	59,170,234
Profit for the year, as previously reported	–	–	5,213,684	–	–	–	–	–	–	5,213,684	158,920	5,372,604
Prior year adjustments (Note 33)	–	–	3,013,097	–	–	–	–	–	–	3,013,097	–	3,013,097
Effects of adopting SFRS(I) 1 (Note 33)	–	–	225,398	–	–	–	–	–	–	225,398	–	225,398
Profit for the year, as restated	–	–	8,452,179	–	–	–	–	–	–	8,452,179	158,920	8,611,099
Other comprehensive income for the year, as previously reported	–	–	–	–	(179,383)	666,730	–	645,706	–	1,133,053	18,426	1,151,479
Effects of adopting SFRS(I) 1 (Note 33)	–	–	238,463	–	–	–	–	(670,833)	–	(432,370)	(18,426)	(450,796)
Other comprehensive income for the year, as restated	–	–	238,463	–	(179,383)	666,730	–	(25,127)	–	700,683	–	700,683
Total comprehensive income for the year	–	–	8,690,642	–	(179,383)	666,730	–	(25,127)	–	9,152,862	158,920	9,311,782
Transactions with owners, recognised directly in equity												
Contributions by and distributions to owners												
Disposal of a subsidiary	–	–	(2,738,173)	–	(793,571)	–	(64,866)	(225,398)	3,596,610	(225,398)	(15,499,540)	(15,724,938)
Effects of adopting SFRS(I) 1 (Note 33)	–	–	–	–	–	–	–	225,398	–	225,398	–	225,398
Acquisition of additional equity interest in a subsidiary from non-controlling interests (Note 6(C))	–	–	–	–	–	–	–	–	(39,284)	(39,284)	(323,516)	(362,800)
Own shares sold	–	35,517	–	–	–	–	–	–	–	35,517	–	35,517
Grant of equity-settled share options	–	–	–	–	–	–	19,110	–	–	19,110	–	19,110
Forfeiture of vested equity-settled share options	–	–	823	–	–	–	(823)	–	–	–	–	–
Total transactions with owners in their capacity as owners	–	35,517	(2,737,350)	–	(793,571)	–	(46,579)	–	3,557,326	15,343	(15,823,056)	(15,807,713)
Balance at 31 December 2017, as restated carried forward	**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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	Share capital US$	Treasury shares US$	Revenue reserve US$	Capital reserve US$	Asset revaluation reserve US$	Fair value adjustment reserve US$	Employee share option reserve US$	Translation reserve US$	Other reserves US$	Total attributable to equity holders of the parent US$	Non-controlling interests US$	Total equity US$
Balance at 31 December 2017, as restated brought forward	**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 income for the year	**–**	**–**	**–**	**–**	**–**	**(940,642)**	**–**	**95,613**	**–**	**(845,029)**	**–**	**(845,029)**
Total comprehensive income for the year	**–**	**–**	**(3,687,058)**	**–**	**–**	**(940,642)**	**–**	**95,613**	**–**	**(4,532,087)**	**(36,951)**	**(4,569,038)**
Transactions with owners, recognised directly in equity												
Contributions by and distributions to owners												
Dividend paid (Note 34)	**–**	**–**	**(2,416,792)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,416,792)**	**–**	**(2,416,792)**
Purchase of treasury shares	**–**	**(59,131)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(59,131)**	**–**	**(59,131)**
Total 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**

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 2018

The Group	Note	**Year ended 31 December 2018 US$**	Year ended 31 December 2017 US$ (Restated)
Cash Flows from Operating Activities			
(Loss)/Profit before income tax		**(3,115,627)**	9,827,636
Adjustments for:			
Amortisation of intangible assets	5	**547,401**	899,950
Depreciation of property, plant and equipment	4	**250,612**	391,482
Impairment loss on property, plant and equipment	4	**–**	276,668
Impairment loss on trade receivables (reversed)/recognised	10	**(49,497)**	199,309
Intangible assets written off	5	**–**	950,106
Interest expenses		**–**	17,512
Interest income	21	**(1,129,263)**	(1,107,058)
Loss on disposal of a subsidiary	6 Note (B)	**–**	1,077,508
Fair value changes on financial assets designated at FVTPL	23	**455,202**	–
Loss on disposal on financial assets designated at FVOCI	23	**164,245**	106,275
Property, plant and equipment written off	20	**–**	390
Provision for customer claims (reversed)/recognised	18	**(1,094,452)**	1,594,452
Provision for inventory obsolescence recognised/(reversed), net	20	**976,284**	(98,227)
Share based payment		**–**	18,287
Operating (loss)/profit before working capital changes		**(2,995,095)**	14,154,290
Changes in trade and other receivables		**2,674,808**	7,101,873
Changes in inventories		**(3,315,069)**	5,126,768
Changes in trade and other payables		**(2,291,472)**	(10,836,060)
Cash (used in)/generated from operations		**(5,926,828)**	15,546,871
Interest received		**501,055**	296,229
Interest paid		**–**	(17,512)
Income tax paid		**(1,745,833)**	(417,786)
Net cash (used in)/generated from operating activities		**(7,171,606)**	15,407,802
Cash Flows from Investing Activities			
Interest received from quoted debt investments		**769,971**	774,812
Payments for intangible assets	5	**(219,001)**	(985)
Purchase of financial assets		**(9,900,883)**	(4,204,746)
Proceeds from disposal of property, plant and equipment		**–**	42,300
Proceeds from disposal of financial assets		**7,744,480**	576,225
Purchase of property, plant and equipment	4	**(20,891)**	(34,300)
Disposal of a subsidiary, net of cash disposed of	6 Note (B)	**–**	(3,672,409)
Net cash used in investing activities		**(1,626,324)**	(6,519,103)
Cash Flows from Financing Activities			
Acquisition of equity interest from non-controlling interest	6 Note (C)	**–**	(362,800)
Dividend paid	34	**(2,416,792)**	–
Payment of hire-purchase instalments		**–**	(29,587)
Purchase of treasury shares		**(59,131)**	–
Repayment of term loans		**–**	(12,667)
Net cash used in financing activities		**(2,475,923)**	(405,054)
Net (decrease)/increase in cash and cash equivalents		**(11,273,853)**	8,483,645
Exchange differences on translation of cash and cash equivalents		**(14,193)**	71,107
Cash and cash equivalents at beginning of the year		**36,977,945**	28,423,193
Cash and cash equivalents at end of the year	11	**25,689,899**	36,977,945

Reconciliation of liabilities arising from financing activities, excluding equity items

No reconciliation is required as the financing activities consist of dividend paid to shareholders and purchase of treasury shares during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

1 General information

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company and domiciled in the Republic of Singapore and is listed on 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 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS"). SFRS(I) are issued by the Accounting Standards Council and comprise standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise stated. These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 have affected the reported financial position, financial performance and cash flows is provided in 2(b) – Adoption of SFRS(I) below.

These consolidated financial statements have been prepared on the historical cost basis 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 ("US$"), unless otherwise stated.

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 estimate is revised and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Significant judgements in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(a) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Capitalisation of development costs within Intangible Assets (Note 5)
Development costs are capitalised in accordance with the accounting policy in Note 2(d). 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.

Income taxes (Note 25)
The Group has exposures to income taxes in numerous jurisdictions. Furthermore, the findings in the Phase 2 Report highlighted possible tax implications arising from the claims made under the Productivity and Innovation Credit ("PIC") Scheme. Significant judgement is involved in determining the 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 impact the income tax and deferred tax provisions in the period in which such determination is made.

Critical assumptions used and accounting estimates in applying accounting policies

Impairment of investment in subsidiaries (Note 6)
Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates and assessed that no further or reversal of impairment loss was required. A 5% increase/decrease in the impairment loss recognised would not have a material impact on the loss for the year (2017 – Nil).

Provision for warranty (Note 18)
The Group provides warranty on products and undertakes to repair or replace items that fail to perform satisfactorily. This 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, management adjust their provision for warranty. If the provision for warranty from management's estimate were to increase/ decrease by 1%, (2017- 1%), the Group's loss will increase/ decrease by US$14,000 (2017 – the Group's profit will decrease/ increase by US$24,940).

Allowance for slow moving and obsolete inventories (Note 9)
The Group states 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 each balance sheet date to establish provisions 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. A 5% increase/ decrease in the net realisable value of inventories would decrease/increase the loss for the year by US$170,000 (2017 – increase/decrease profit for the year by US$53,000). The carrying amount of the Group's inventories at 31 December 2018 is disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(b) Adoption of SFRS(I)

In December 2017, the Accounting Standards Council ("ASC") issued SFRS(I). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s amendments to and, interpretations of SFRS(I)s which are mandatorily effective from the same date.

Reference	**Description**
SFRS(I) 1	*First-time adoption of Singapore Financial Reporting Standards (International)*
SFRS(I) 9	*Financial Instruments*
SFRS(I) 15	*Revenue from Contracts with Customers*
Amendments to SFRS(I) 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to SFRS(I) 1-40	*Transfer of Investment Property*
Amendments to SFRS(I) 4	*Applying SFRS(I) 9 – Financial Instruments with SFRS(I) 4 – Insurance Contracts*
SFRS(I) INT 22	*Foreign Currency Transactions and Advance Consideration*

Except for SFRS(I) 9, the application of the above standards and interpretations did not have a significant impact on the financial statements.

(i) SFRS(I)1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported SFRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under SFRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under SFRS (for the year ended 31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

Foreign currency translation reserve (FCTR)
The Group has elected the optional exemption in SFRS(I) to reset its cumulative FCTR for all foreign operations to Nil at the date of transition and reclassify the cumulative FCTR of US$1,004,726 as at 1 January 2017 determined in accordance with FRS at that date to revenue reserve. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. Please refer to Note 33 for more details.

(ii) SFRS(I) 9 *Financial Assets*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate comparative information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. There is no significant impact arising from the measurement of these instruments under SFRS(I) 9 since the fair value of the quoted debt investments at 31 December 2017 approximate their carrying amounts under SFRS 39.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(b) Adoption of SFRS(I) (Cont'd)

(ii) SFRS(I) 9 *Financial Assets (Cont'd)*

The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018:

- The determination of the business model within which a financial asset is held;
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The designation of an equity investment that is not held-for-trading at FVOCI.

Classification and Measurement
The Group's and the Company's financial assets as at 31 December 2017 comprised solely quoted USD corporate bonds of US$12.2 million.

SFRS(I) 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification under SFRS(I) for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both.

If the debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI, if fair value to eliminate accounting mismatch is not elected. The application of the fair value option for financial instruments is reconsidered based on the facts and circumstances at the date of initial application.

Under the new model, if the fair value is to eliminate accounting mismatch is elected, the financial assets would be classified as FVTPL. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if by doing so, eliminates or significantly reduces a measurement or recognition inconsistency.

For the quoted debt instruments held by the Group and the Company on 1 January 2018, management has assessed the business model that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9 as follows:

The Group and the Company	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Carrying amount under FRS 39 and SFRS(I) 9
Financial assets				US$
Quoted debt investments	(a)	Available-for-sale	FVOCI – debt investment	16,435,026

(a) These debt investments represent investments that the Group intends to hold both to collect the assets' contractual cash flows and to sell the assets.

	FRS Framework US$	SFRS(I) 9 adjustment US$	SFRS(I) Framework US$
Quoted Investments (non-current):			
Available-for-sale quoted debt securities	16,435,026	16,435,026	–
Financial instruments at FVOCI	–	(16,435,026)	16,435,026

Impairment
SFRS(I) 9 requires management to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment loss based on the incurred loss model when there is an objective evidence that a financial asset is impaired. There is no financial impact to the Group's financial statements on adoption of SFRS(I) 9 using the expected credit loss model.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(b) Adoption of SFRS(I) (Cont'd)

(iii) SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). SFRS(I) 15 replaces the previous revenue standards, FRS 18 – *Revenue* and FRS 11 – *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 Revenue – *Barter Transactions Involving Advertising Services*.

SFRS(I) 15 establishes a five-step model that applies to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SFRS(I) 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018. The Group completed its assessment and there were no significant changes to the timing and profile of revenue recognition for the sale of goods and recognition of licensing income on adoption of SFRS(I) 15.

The accounting policies set out in Note 2(d) have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions under SFRS(I) 1.

2(c) Standards issued but not yet effective

The following are the new or amended SFRS(I) and INT SFRS(I) issued in 2018 that are not yet effective but may be early adopted for the current financial year.

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
SFRS(I) 16	*Leases*	1 January 2019
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*	1 January 2019
SFRS(I) 1-1, SFRS(I) 1-8	*Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*	1 January 2020

SFRS (I) 16 *Leases*

SFRS (I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019.

The Group enters into commercial leases on certain motor vehicles, office equipment and rental of office spaces. These leases have an average tenure of between three and six years with no renewal option or contingent rent provision included in the contracts. The Group expects these operating leases to be recognised as "Right of Use" ("ROU") assets with corresponding lease liabilities in the statement of financial position under the new standard. Management did not early adopt the above new SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(c) Standards issued but not yet effective (Cont'd)

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

SFRS(I) 1-1, SFRS(I) 1-8 *Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*
The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I)s. 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 user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted.

2(d) Summary of significant accounting policies

Consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as 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 interest even if that results in a deficit balance.

Subsidiary
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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of the voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant authorities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the statement of comprehensive income. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Bargain purchase

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Disposal

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 interest 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 owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Disposal (Cont'd)
When the Group losses control of a subsidiary, a gain or loss is recognised in the statement of comprehensive income 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)).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9 when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Transactions with Non-Controlling Interest
Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsidiaries
Subsidiaries are entities controlled by the Company. In the Company's separate statement of financial position, subsidiaries are stated at cost less any impairment losses on an individual subsidiary basis.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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 the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset carried in the asset 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 asset revaluation reserve in respect of an asset is transferred directly to revenue reserve on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)
Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Freehold property	50 years
Leasehold properties	Over the term of the lease (20 to 60 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

No depreciation is charged on the freehold property. Depreciation of property under construction commences when the asset is ready for its intended use.

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.

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.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready to use.

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.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

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 the statement of comprehensive income 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 the amortisation method is reviewed at least at each financial year-end. 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 the statement of comprehensive income through the "research and development" line item, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Intangible assets (Cont'd)

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 the statement of comprehensive income when the asset is derecognised.

(i) Research and development costs

Research costs are expensed off as incurred. Deferred 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 deferred 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. Deferred 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 value 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.

(ii) Patents and trademarks

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 the statement of comprehensive income using the straight-line method up to a maximum of 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 each balance sheet date. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

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 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 the statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Associates (Cont'd)
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 equal the share of net losses previously recognised.

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

Where the accounting policies of an associate do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

On acquisition of the investment, any difference between the cost of acquisition and the Group's share of the fair values of the net identifiable assets of the associate is accounted for in accordance with the accounting policies on "Consolidation" and "Goodwill".

Financial instruments
<u>Financial assets</u>
Financial assets are recognised when, and only when the Group becomes a party to the contractual provisions of the financial instruments.

The accounting for financial assets before 1 January 2018 is as follows:
Financial assets, other than hedging instruments, can be divided into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

As at 31 December 2017, the Group carries loans and receivables and available-for-sale financial assets. The Group does not have financial assets at fair value through profit or loss and held for maturity investments as at 31 December 2017.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and cash equivalents. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)
Financial assets (Cont'd)

The accounting for financial assets before 1 January 2018 is as follows (Cont'd):
Available-for-sale financial assets
Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of comprehensive income as a reclassification adjustment when the financial asset is derecognised. Investment in equity instruments whose fair value cannot be reliably measured at measured at cost less impairment loss.

The accounting for financial assets after 1 January 2018 is as follows:
At initial recognition
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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.

At subsequent measurement
Investments in debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cashflow characteristics of the asset. The three measurement categories for clarification of debt instruments are:

- At amortised cost
  Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI)
  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in OCI and accumulated in fair value reserve, except for the recognition of impairment, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income and other operating expenses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)
<u>Financial assets (Cont'd)</u>

The accounting for financial assets after 1 January 2018 is as follows (Cont'd):
At subsequent measurement (Cont'd)

- <u>Financial assets at FVTPL</u>
  Financial assets that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in the statement of comprehensive income in the period in which it arises and presented in "other income".

<u>Investments in equity instruments</u>
On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in the statement of comprehensive income when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in the profit or loss.

<u>Derivatives</u>
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

At 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 the profit or loss.

Impairment of financial assets
The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVOCI, and financial guarantee contracts. For trade receivables, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies the general approach of 12-month ECL at initial recognition for all other financial assets. At each reporting date, 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrow 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 of other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)
Financial liabilities
The Group's financial liabilities include borrowings, finance lease liabilities and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the statement of comprehensive income. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offsetted 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.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the reporting date are included in current borrowings in the statement of financial position even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date. Other borrowings due to be settled more than 12 months after the reporting date are included in non-current borrowings in the statement of financial position.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances, fixed deposits and monies held in project accounts.

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

The Company's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount of treasury shares are nullified for the Company and no dividends are allocated to them respectively.

Dividends
Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of revenue reserve 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 of the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for at purchases costs on a first-in first-out basis for trading inventories. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of the inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price on the ordinary course of business, less estimated costs necessary to make the sale.

Borrowings costs
Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants
Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Provisions
General
Provisions are recognised when the Group and the Company have 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. Present obligations arising from onerous contracts are recognised as provisions. The Directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognised as "finance costs" in the statement of comprehensive income.

Warranty provisions
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
Where the Group is the lessee,
Finance leases
Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as "finance charges" which are amortised over each lease term to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

Operating leases

Rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the statement of comprehensive income when incurred. Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the statement of comprehensive income 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.

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 goodwill or 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.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, 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:

- 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 date of the financial position; and
- based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities

Current and deferred income tax are recognised as income or expense in the statement of comprehensive income, 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. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits

Defined contribution plans

The Group and the Company participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the statement of comprehensive income 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 plan for the granting of non-transferrable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the statement of comprehensive income with a corresponding increase in the "employee share options 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.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to be exercisable on the vesting date. At the end of each reporting period, the Group revises its estimate of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimate in the statement of comprehensive income, with a corresponding adjustment to the "employee share options 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 "employee share options reserve" are credited to share capital account when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

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 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 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.

Impairment of non-financial assets
The carry amounts of the Group's and the Company's non-financial assets subject to impairment 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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or whose not yet available for use are tested for impairment at least annually. All other 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.

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 to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Any impairment loss is charged to the statement of comprehensive income unless it reverses a previous revaluation in which case it is charged to equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)
With the exception of goodwill,

- 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 decrease.
- 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 on a revalued asset is credited directly to equity under the heading "asset revaluation reserve". However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statement of comprehensive income, a reversal of that impairment loss is recognised as income in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

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 Dollars, 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 resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates at the reporting date are recognised in the statement of comprehensive income. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the "translation reserve".

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to the statement of comprehensive income, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense, depending on whether foreign currency movements are in a net gain or net loss position. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Revenue recognition
(i) Goods and services sold
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 amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

(i) Goods and services sold (Cont'd)

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 individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

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. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from 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.

(ii) Licensing income

When the 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.

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 of time and the Group has remaining obligations to perform. In instances where the Group has no remaining obligations to perform, the licensing fee received upfront are recognised at the time of receipt.

(iii) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised on an accrual basis based on the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. 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 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.

Segment reporting

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 (the Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and to assess its performance, and expenses, and tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3 Ongoing Investigations

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 ("IPT") with T-Data Systems (S) Pte. Ltd. ("T-Data") from 27 November 2007 to 26 March 2014.

On 7 April 2016, the Company announced the appointment of TSMP Law Corporation ("TSMP") to conduct an independent review and report to the Audit Committee on the IPTs. On 26 April 2016, the Company announced that it was informed by its predecessor auditors, Ernst & Young LLP ("E&Y"), that a report had been submitted by E&Y to the Accounting and Corporate Regulatory Authority ("ACRA") on matters that had come to E&Y's attention in the course of their audit of the financial statements of the Group for the year ended 31 December 2015.

Subsequently on 25 May 2016, the Company announced that it had received a notice from the Commercial Affairs Department ("CAD") of the Singapore Police Force informing that the Company that they are conducting an investigation into certain transactions undertaken by the Company and has requested for certain information and documents to be provided by the Company.

On 8 June 2016, the Company announced that TSMP had presented certain preliminary findings to the Audit Committee and highlighted that the full review of the IPTs would require a forensic accounting firm to provide their findings and analysis from a forensic financial perspective (the "IPT Inquiry"). The Audit Committee accepted this recommendation and RSM Corporate Advisory Pte Ltd ("RSM") was appointed on 8 June 2016 to conduct an IPT Inquiry. Given the report by EY to ACRA and the ongoing investigations by the CAD, the Audit Committee also instructed RSM to expand the scope of work to include any suspicious transactions.

In the course of RSM's review, RSM found possible round-tripping transactions involving T-Data and S-Com Solutions (Hong Kong) Co., Limited ("S-Com HK"). For the purpose of reporting, the Audit Committee instructed RSM to present its findings on the IPT Inquiry first, followed by a separate report on the suspicious transactions and possible round-tripping transactions involving the interested persons ("Phase 2 Report") after the conclusion of the IPT Inquiry. The IPT Inquiry Report dated 17 July 2017 was issued on the same day and the Executive Summary on the IPT Inquiry Report was released by the Company via SGXNET on 18 July 2017.

On 23 April 2018, the Company released RSM's Phase 2 Report. The Phase 2 Report identified certain suspicious transactions such as those involving round-tripping transactions with interested persons as well as transactions with non-existent entities and fictitious transactions using fabricated documents.

On 7 September 2018, the Company received a letter from Singapore Exchange Regulation Pte Ltd (SGX RegCo) which was addressed to the Board of Directors (the "Board") of the Company to afford them a formal opportunity to make representations in writing to SGX RegCo in respect of the potential breaches of the SGX Listing Manual based on the findings noted in the IPT Inquiry Report and the Phase 2 Report.

The Company had done 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 is to address the suspicious transactions noted in the Phase 2 report. In addition, the Board had written to SGX RegCo. for the re-appointment of Mr Henn Tan as Chief Executive Officer of the Group on 12 October 2018. As at the date of this report, SGX RegCo has not responded to the Board on their written legal representations and the re-appointment of Mr Henn Tan as Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

4 Property, plant and equipment

	At Valuation		At Cost							
The Group	Freehold property	Leasehold properties	Furniture and fittings	Renovations	Office equipment	Computers	Motor vehicles	Plant and machinery	Assets under construction	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Cost or valuation										
At 1 January 2017	1,558,218	6,130,460	322,301	1,768,179	606,282	1,610,773	992,494	6,222,373	1,240,595	20,451,675
Additions	–	–	1,862	11,345	6,282	14,581	–	230	–	34,300
Disposals	–	–	–	–	–	–	(109,000)	–	–	(109,000)
Derecognised on disposal of a subsidiary (Note 6B)	(579,485)	(5,610,027)	(124,686)	(1,545,626)	(426,110)	(694,585)	(379,565)	(5,716,307)	(1,246,206)	(16,322,597)
Written-off	–	–	–	–	–	(2,069)	–	–	–	(2,069)
Revaluation of (deficit)/ surplus	(268,890)	89,507	–	–	–	–	–	–	–	(179,383)
Elimination of accumulated depreciation on revaluation	(97,511)	(175,451)	–	–	–	–	–	–	–	(272,962)
Exchange differences	18,367	181,373	461	25,002	5,674	7,541	17,251	(101,252)	5,611	160,028
At 31 December 2017	**630,699**	**615,862**	**199,938**	**258,900**	**192,128**	**936,241**	**521,180**	**405,044**	**–**	**3,759,992**
Additions	**–**	**–**	**–**	**–**	**1,943**	**–**	**18,948**	**–**	**–**	**20,891**
Disposals	**–**	**–**	**(743)**	**–**	**–**	**–**	**–**	**–**	**–**	**(743)**
Exchange differences	**–**	**–**	**(98)**	**(1,023)**	**(508)**	**(481)**	**–**	**–**	**–**	**(2,110)**
At 31 December 2018	**630,699**	**615,862**	**199,097**	**257,877**	**193,563**	**935,760**	**540,128**	**405,044**	**–**	**3,778,030**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

4 Property, plant and equipment (Cont'd)

The Group	At Valuation		At Cost							
	Freehold property	Leasehold properties	Furniture and fittings	Renovations	Office equipment	Computers	Motor vehicles	Plant and machinery	Assets under construction	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Accumulated depreciation and impairment losses										
At 1 January 2017	267,861	711,099	268,171	1,369,250	499,506	1,123,927	551,412	5,345,986	–	10,137,212
Depreciation for the year (Note 20)	36,698	70,297	14,895	27,879	12,255	113,195	62,199	54,064	–	391,482
Disposals	–	–	–	–	–	–	(66,700)	–	–	(66,700)
Derecognised on disposal of a subsidiary (Note 6B)	(213,717)	(626,012)	(113,859)	(1,194,084)	(344,455)	(663,523)	(162,410)	(4,877,669)	–	(8,195,729)
Impairment loss	–	–	–	–	–	276,668	–	–	–	276,668
Written-off	–	–	–	–	–	(1,679)	–	–	–	(1,679)
Elimination of accumulated depreciation on revaluation	(97,511)	(175,451)	–	–	–	–	–	–	–	(272,962)
Exchange differences	6,669	20,067	252	15,365	5,014	6,975	15,916	(118,439)	–	(48,181)
At 31 December 2017	**–**	**–**	**169,459**	**218,410**	**172,320**	**855,563**	**400,417**	**403,942**	**–**	**2,220,111**
Depreciation for the year (Note 20)	**23,359**	**68,429**	**7,690**	**14,343**	**6,826**	**73,188**	**56,418**	**359**	**–**	**250,612**
Disposals	**–**	**–**	**(315)**	**–**	**–**	**–**	**–**	**–**	**–**	**(315)**
Exchange differences	**–**	**–**	**(133)**	**(674)**	**(475)**	**(479)**	**–**	**–**	**–**	**(1,761)**
At 31 December 2018	**23,359**	**68,429**	**176,701**	**232,079**	**178,671**	**928,272**	**456,835**	**404,301**	**–**	**2,468,647**
Net book value										
At 31 December 2018	**607,340**	**547,433**	**22,396**	**25,798**	**14,892**	**7,488**	**83,293**	**743**	**–**	**1,309,383**
At 31 December 2017	630,699	615,862	30,479	40,490	19,808	80,678	120,763	1,102	–	1,539,881
At 1 January 2017	1,290,357	5,419,361	54,130	398,929	106,776	486,846	441,082	876,387	1,240,595	10,314,463

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

4 Property, plant and equipment (Cont'd)

The Company	Computers US$
Cost	
At 1 January 2017	140,340
Additions	2,501
Written off	(1,278)
At 31 December 2017 and 31 December 2018	**141,563**
Accumulated depreciation	
At 1 January 2017	127,247
Depreciation for the year (Note 20)	6,387
Written off	(888)
At 31 December 2017	**132,746**
Depreciation for the year (Note 20)	**6,089**
At 31 December 2018	**138,835**
Net book value	
At 31 December 2018	**2,728**
At 31 December 2017	8,817
At 1 January 2017	13,093

Revaluation of freehold and leasehold properties
As at 31 December 2017, the Group engaged an independent valuer, who has the appropriate recognised professional qualification and recent experience in the location and category of the freehold and leasehold properties being valued, to determine the fair values of the freehold and leasehold properties.

The dates of revaluation were:

Freehold property at 10 Jalan Besar: 31 December 2017
Leasehold property at 30 Loyang Way: 31 December 2017

The valuation of the freehold and leasehold properties is performed at a regular interval of every 3 years.

If the freehold and leasehold properties were measured using the cost model at inception, the carrying amounts as at 31 December would be as follows:

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Freehold property	**188,889**	195,885	202,881
Leasehold properties	**160,739**	180,832	200,924

Assets pledged as security
As at 1 January 2017, the leasehold properties at 28 Changi South Street 1, Changi South Industrial Estate, Singapore and PLO 67 Jalan Cyber 2, Senai Industrial Estate III, Central Park, Johor, Malaysia with net carrying amounts of US$4,025,180 and US$853,564, respectively, which were owned by an ex-subsidiary, had been mortgaged to the financial institutions as securities for loans (See Note 14).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

4 Property, plant and equipment (Cont'd)

Assets held under hire-purchase
For the financial year ended 31 December 2017, the cash outflow on acquisition of property, plant and equipment amounted to US$34,300. As at 1 January 2017, the carrying amounts of motor vehicles and plant and machinery under hire purchase arrangements amounting to US$108,950 and US$371,848 respectively, which were owned by an ex-subsidiary, had been pledged as securities for the related hire purchase liabilities (See Note 14).

5 Intangible assets

The Group	Patents	Trademarks	Development costs	Total
	US$	US$	US$	US$
Cost				
At 1 January 2017	5,745,213	440,586	6,591,605	12,777,404
Additions	985	-	-	985
Derecognised on disposal of a subsidiary	(37,517)	-	-	(37,517)
Written off*	(2,111,172)	-	-	(2,111,172)
Exchange differences	170	-	-	170
At 31 December 2017	**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**
Accumulated amortisation				
At 1 January 2017	4,223,474	331,457	4,656,852	9,211,783
Amortisation for the year	200,128	34,998	664,824	899,950
Derecognised on disposal of a subsidiary	(16,256)	-	-	(16,256)
Written off*	(1,161,066)	-	-	(1,161,066)
Exchange differences	80	-	-	80
At 31 December 2017	**3,246,360**	**366,455**	**5,321,676**	**8,934,491**
Amortisation for the year	**218,930**	**34,998**	**293,473**	**547,401**
At 31 December 2018	**3,465,290**	**401,453**	**5,615,149**	**9,481,892**
Net book value				
At 31 December 2018	**137,712**	**39,133**	**1,190,134**	**1,366,979**
At 31 December 2017	351,319	74,131	1,269,929	1,695,379
At 1 January 2017	1,521,739	109,129	1,934,753	3,565,621

The Company	Patents and trademarks
	US$
Cost	
At 1 January 2017	5,603,779
Additions	344
Written off*	(2,111,172)
At 31 December 2017	**3,492,951**
Additions	**5,323**
At 31 December 2018	**3,498,274**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

5 Intangible assets (Cont'd)

The Company	Patents and trademarks US$
Accumulated amortisation	
At 1 January 2017	4,003,084
Amortisation for the year (Note 20)	226,665
Written off*	(1,161,066)
At 31 December 2017	**3,068,683**
Amortisation for the year (Note 20)	**252,747**
At 31 December 2018	**3,321,430**
Net book value	
At 31 December 2018	**176,844**
At 31 December 2017	424,268
At 1 January 2017	1,600,695

** The amounts written off recorded in the previous financial year related to patents and trademarks and development costs that were assessed by management to be no longer commercially viable.

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. As explained in Note 2(d), patents and trademarks are amortised over 5 to 20 years from the date of commercialisation and have an average remaining amortisation period of 11 months (2017 - 1.9 years).

Development costs
As at 31 December 2018, development costs capitalised in the consolidated statement of financial position relate to development expenditure incurred on a project, which has not been completed and accordingly, no amortisation expense was recorded in the current and prior years (31 December 2017 - US$Nil). During the current financial year, the Group fully amortised the carrying amounts of the development costs on the remaining projects by US$0.28 million as the forecasted cashflows to be derived from the remaining projects are expected to be lower than their respective carrying amount.

6 Investment in subsidiaries

The Company	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Unquoted shares, at cost:			
At the beginning of the year	**3,558,813**	5,441,209	5,441,209
Addition	**1**	1	–
Disposals	**–**	(1,882,397)	–
At the end of the year	**3,558,814**	3,558,813	5,441,209
Impairment losses:			
At the beginning of the year	**(1,956,233)**	(1,956,233)	(215,915)
Impairment loss recognised	**(18,846)**	–	(1,740,318)
	(1,975,079)	(1,956,233)	(1,956,233)
At the end of the year	**1,583,735**	1,602,580	3,484,976

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

6 Investment in subsidiaries (Cont'd)

The investments in subsidiaries held by the Company at 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

Name	Country of incorporation	Proportion of ownership interest			Principal activities
		31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	
Held by the Company					
Trek Technology (Singapore) Pte. Ltd.(i)	Singapore	**100**	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	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	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	100	Marketing and distribution
Trekstor USA Inc#	United States of America	**100**	100	100	Marketing and distribution
Trek Technology (Shanghai) Co. Ltd#	People's Republic of China	**100**	100	100	Marketing and distribution
Trek Technology Europe B.V.#	The Netherlands	**100**	100	100	Marketing and distribution
Japan-Singapore Future Technology Lab Pte. Ltd.(i)	Singapore	**100**	100	100	Research and experimental development on medical technologies
SGenome Precisionomics Pte. Ltd.* (See Note A)	Singapore	**100**	100	–	Research and experimental development on medical technologies
Racer Technology Pte Ltd ("Racer")(iv) (See Note B)	Singapore	**-**	-	19	Manufacture of plastic products
Held through Trek Technology (Singapore) Pte Ltd					
Trek Technology (India) Private Limited(v)	India	**100**	100	100	Research, development, marketing and distribution
Cloud Stringers (S) Pte. Ltd.(i) (See Note C)	Singapore	**84.7**	84.7	65.6	Development and marketing of web portal services, including social networking sites
Unimemory Technology (S) Pte. Ltd.(i)	Singapore	**75.7**	75.7	75.7	Research, design, development and distribution of memory modules and other related products and solutions
T3 Solutions (HK) Limited(iii)	Hong Kong	**100**	100	100	Marketing and distribution

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for the financial year ended 31 December 2018

6 Investment in subsidiaries (Cont'd)

Name	Country of incorporation	Proportion of ownership interest			Principal activities
		31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	
Held through Trek Technology (HK) Co. Ltd					
Trek Systems (Shanghai) Co Ltd(vi)	People's Republic of China	**100**	100	100	Marketing and distribution
Held through Trek Systems (M) Sdn Bhd					
Thumbdrive Media Sdn. Bhd.(ii)	Malaysia	**100**	100	100	Research, design, development and dealing in computer hardware, software, electronic components and other related products
Held through Racer					
Racer Technology Sdn Bhd(vii)	Malaysia	**–**	–	19	Manufacture of plastic products for consumer, industrial and commercial use
PT Racer Technology Batam(viii)	Indonesia	**–**	–	18.8	Manufacture of plastic products for consumer, industrial and commercial use

(i) Audited by Foo Kon Tan LLP
(ii) Audited Baker Tilly CKF, Malaysia
(iii) Audited by Artmell CPA Limited, Hong Kong
(iv) Audited by Chan Geok Huat & Company, Singapore for the financial year ended 31 December 2016
(v) Audited by T.D. Jagadeesha & Co., Chartered Accountants, India
(vi) Audited by Shanghai Shenya Certified Public Accountants Co., Ltd, People's Republic of China
(vii) Audited by YF. Ng & associates, Malaysia
(viii) Audited by Reanda Bernardi, Indonesia
No statutory audit requirement in the country of incorporation.
* Undergoing members' voluntary liquidation

Note A - Incorporation of a subsidiary

On 16 November 2017, the Company incorporated a wholly-owned subsidiary, SGenome Precisionomics Inc Pte. Ltd. with an issued and paid-up capital of US$1, comprising 1 ordinary share. The Company is currently undergoing member's voluntary liquidation.

Note B - Disposal of Racer in FY 2017

Prior to the disposal of Racer Group on 13 March 2017, management has considered Racer as a subsidiary as it has the power to govern the financial and operating policies of Racer through the ability to control its Board of Directors and direct the relevant activities, i.e. the activities that significantly affect the returns of Racer.

On 13 March 2017, the Group disposed of its 19% equity interest in Racer to a Director of Racer for a cash consideration of S$3,000,000 (equivalent to US$2,139,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

6 Investment in subsidiaries (Cont'd)

Note B - Disposal of Racer in FY 2017 (Cont'd)

Analysis of assets and liabilities over which control was lost

	Note	2017 US$
Property, plant and equipment	4	8,126,868
Intangible assets	5	21,261
Quoted and unquoted investments		238,557
Inventories		4,209,011
Trade and other receivables		6,481,798
Prepayments		187,256
Cash and cash equivalents		5,811,395
Total assets		**25,076,146**
Trade payables and accruals		(1,735,123)
Other payables		(2,214,068)
Hire-purchase liabilities		(281,209)
Borrowings		(1,383,836)
Income tax payable		(287,368)
Deferred tax liabilities	16	(458,508)
Non-controlling interests		(15,499,540)
Total liabilities		**(21,859,562)**
Net assets disposed of		**3,216,494**

Loss on disposal of a subsidiary

	Note	2017 US$
Consideration received		2,139,000
Less: Bank charges		(14)
Consideration received, net		2,138,986
Net assets disposed of		(3,216,494)
Loss on disposal of a subsidiary		(1,077,508)
Add: Bank charges		14
Loss on disposal of a subsidiary, net	23	(1,077,494)

The aggregate cash outflow arising from the disposal of a subsidiary:

	2017 US$
Net consideration received in cash and cash equivalents	2,138,986
Less: cash and cash equivalents balances disposed of	(5,811,395)
Cash outflow on disposal of a subsidiary	(3,672,409)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

6 Investment in subsidiaries (Cont'd)

Note C – Acquisition of additional equity interest in Cloud Stringers

In 2017, the Group's subsidiary company, Trek Technology (Singapore) Pte Ltd, acquired an additional 19.1% equity interest in Cloud Stringers (S) Pte Ltd from its non-controlling interest for a cash consideration of S$500,000 (equivalent to US$362,800). The effects of the change in the Group's ownership interest in Cloud Stringers (S) Pte Ltd on the equity attribution to the owners of the Company is summarised below:

	2017 US$
Consideration paid for acquisition of non-controlling interests	362,800
Decrease in equity attributable to non-controlling interests	(323,516)
Decrease in equity attributable to owners of the Group	39,284

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:

	31 December 2018 US$	31 December 2017 US$	1 January 2017 US$
Non-current assets	**–**	3,694	319,574
Current assets	**2,221,148**	5,553,645	5,414,572
Current liabilities	**(258,179)**	(3,271,814)	(4,567,184)
Equity attributable to owners of the Company	**1,962,969**	2,285,525	1,166,962

Summarised statement of comprehensive income:

	2018 US$	2017 US$
Revenue	**5,821,906**	33,946,081
Expenses	**(6,144,459)**	(32,827,519)
(Loss)/Profit for the year	**(322,553)**	1,118,562
(Loss)/Profit and other comprehensive income attribute to owners of the Company	**(273,202)**	947,422
(Loss)/Profit and other comprehensive income attribute to the non-controlling interests	**(49,351)**	171,140
(Loss)/Profit for the year	**(322,553)**	1,118,562
Cash flows from:		
- Operating activities	**(1,762,179)**	3,127,893
- Financing activities	**(290,641)**	119,339
Net (decrease)/increase in cash and cash equivalents	**(2,052,820)**	3,427,232

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

6 Investment in subsidiaries (Cont'd)

Non-controlling interests (Cont'd)
Unimemory Technology (S) Pte Ltd

Summarised statement of financial position

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Non-current assets	**835**	3,410	50,302
Current assets	**4,405,370**	4,429,284	4,119,323
Non-current liabilities	**(106,145)**	(183,662)	(10,106)
Equity attributes to owners of the Company	**4,300,060**	4,249,032	4,159,519

Summarised statement of comprehensive income

The Group	**2018 US$**	2017 US$
Revenue	**1,721,455**	6,457,925
Expenses	**(1,670,426)**	(6,368,411)
Profit for the year	**51,029**	89,514
Profit and other comprehensive income attribute to owners of the Company	**38,629**	67,762
Profit and other comprehensive income attribute to the non-controlling interests	**12,400**	21,752
Profit for the year	**51,029**	89,514
Cash flows from:		
- Operating activities	**(120,048)**	264,452
- Investing activities	**319**	41,887
- Financing activities	**–**	176
Net (decrease)/increase in cash and cash equivalents	**(119,729)**	306,515

7 Investment in associates

	The Group			The Company		
	31 December 2018 US$	31 December 2017 US$	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Unquoted shares, at cost	**1,523,440**	1,523,440	1,523,440	**2,902,384**	2,902,384	2,902,384
Goodwill on acquisition	**1,378,944**	1,378,944	1,378,944	**–**	–	–
Impairment loss recognised	**(2,896,977)**	(2,896,977)	(2,896,977)	**(2,896,977)**	(2,896,977)	(2,896,977)
Share of post-acquisition reserve	**(5,407)**	(5,407)	(5,407)	**–**	–	–
Carrying amount of investment	**–**	–	–	**5,407**	5,407	5,407

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

7 Investment in associates (Cont'd)

There are no material associates in the Company. The associates of the Company are:

Name	Country of incorporation	Proportion of ownership interest			Principal activities
		31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	
Trek Technology (Thailand) Company Ltd[(i)]	Thailand	**39**	39	39	Marketing of computer, hardware, software, electronic components and other related products
STrek International Company Limited	Hong Kong	**45**	45	45	Dormant

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

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$350,608 (2017 - US$324,085) of which US$26,523 (2017 - US$7,257) was the share of the current year's losses. The Group has no obligation in respect of these losses. STrek International Company Limited has become dormant since the end of the financial year ended 31 December 2009.

The unaudited loss for the year and total comprehensive income of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

The Group	**2018 US$**	2017 US$
Loss for the year and total comprehensive loss	**(68,008)**	(18,607)

8 Financial assets

The amounts recognised in the statements of financial position comprise the following categories of financial assets and related investment types:

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Non-current investments			
Available-for-sale financial assets:			
- Quoted debt investments, at fair value	**–**	16,435,026	12,244,281
- Unquoted equity investments, at cost	**–**	–	180,364
Quoted debt instruments – at FVOCI	**10,570,526**	–	–
	10,570,526	16,435,026	12,424,645
Current investments			
Funds managed by a Fund Manager – at FVTPL	**5,812,084**	-	-
Unquoted investment in a fund – at FVTPL	**617,546**	-	-
	6,429,630	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

8 Financial assets (Cont'd)

The Company	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Non-current investments			
Available-for-sale financial assets:			
- Quoted debt investments, at fair value	**–**	16,435,026	12,244,281
- Unquoted equity investments, at costs	**–**	–	–
Quoted debt instruments – at FVOCI	**10,570,526**	–	–
	10,570,526	16,435,026	12,244,281
Current investments			
Funds managed by a Fund Manager – at FVTPL	**5,812,084**	–	–
Unquoted investment in a fund – at FVTPL	**617,546**	–	–
	6,429,630	–	–

Quoted investments designated at FVOCI of the Group and the Company (2017 – designated as "available-for-sale") pay fixed interest rates on a quarterly to semi-annually basis ranging from 3.875% to 7.75% (2017 - 3.875% to 7.75%; and 2016 – 4.375% to 11%) per annum.

9 Inventories

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Balance sheet			
Raw materials	**2,902,135**	504,829	9,012,512
Work in progress	**–**	–	323,328
Finished goods	**493,555**	552,076	958,617
	3,395,690	1,056,905	10,294,457
Inventories are stated after deducting allowance for inventory obsolescence and net realisable value adjustments	**(2,349,124)**	(1,372,840)	(2,256,671)
Statement of comprehensive income:			
Inventories recognised as an expense in cost of sales inclusive of the following charge:	**29,038,355**	93,639,720	146,366,087
- (Provision)/ Reversal of allowance for stock obsolescence	**(976,284)**	98,227	3,755,101

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10 Trade and other receivables

	The Group			The Company		
	31 December 2018 US$	31 December 2017 US$	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Trade receivables:						
- Third parties	**421,666**	1,297,659	8,442,692	**–**	–	–
- Associate	**450,608**	482,255	131,141	**–**	–	–
- A related company	**-**	-	158,321	**–**	–	–
	872,274	1,779,914	8,732,154	**–**	–	–
Allowance for impairment loss:						
- Third parties	**(121,124)**	(127,425)	(385,739)	**–**	–	–
- Associate	**(439,059)**	(482,255)	(131,141)	**–**	–	–
- A related company	**-**	-	(120,000)	**–**	–	–
	(560,183)	(609,680)	(636,880)	**–**	–	–
Trade receivables, net	**312,091**	1,170,234	8,095,274	**–**	–	–
Amounts due from subsidiaries (non-trade)	**–**	–	–	**16,209,742**	15,017,297	12,364,832
Allowance for impairment loss	**–**	–	–	**(11,243,315)**	(11,243,107)	(12,364,832)
	–	–	–	**4,966,427**	3,774,190	–
Deposits	**95,893**	74,151	195,464	**31,812**	–	–
Sundry receivables	**138,094**	1,738,730	1,696,433	**8,220**	289,071	328,408
Accrued income	**128,681**	271,084	235,547	**128,681**	270,444	234,426
Amount due from non-controlling interest (Note A)	**–**	–	3,484,871	**–**	–	–
Amount due from a former subsidiary (Note B)	**–**	–	3,399,147	**–**	–	–
Trade and other receivables	**674,759**	3,254,199	17,106,736	**5,135,140**	4,333,705	562,834

As at 31 December 2018, trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Sundry receivables are interest-free, unsecured and repayable on demand. As at 31 December 2017, included in sundry receivables was an amount of US$270,560 relating to outstanding consideration receivable from the sale of Racer. The amount was due from a Director of Racer and a company related to that Director.

Note A: Amount due from non-controlling interest
As at 1 January 2017, there was an amount due from the chief executive officer of Racer in the books of Racer. The amount was derecognised pursuant to the disposal of Racer in the previous financial year ended 31 December 2017.

Note B: Amount due from a former subsidiary
As at 1 January 2017, there was an amount due from a former subsidiary of Racer, recorded in the books of Racer. The amount related to advances provided by Racer to that former subsidiary, which the Group had disposed of in FY 2014 which was interest-free, unsecured and repayable on demand. As at 1 January 2017, the management of Racer agreed to revise the repayment terms to allow that former subsidiary to repay the outstanding amount in 18 equal instalments, commencing from February 2017. As the Director of Racer was also the major shareholder and Director of that former subsidiary, the revised repayment schedule was subject to application of Section 163 of the Singapore Companies Act. The transaction was subsequently ratified in an Extraordinary General Meeting of Racer held on 27 July 2016.

The amount due from the former subsidiary recorded in the books of Racer was derecognised pursuant to the disposal of Racer in the previous financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

10 Trade and other receivables (Cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	The Group			The Company		
	31 December 2018 US$	31 December 2017 US$	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
At the beginning of the year	**609,680**	636,880	774,676	**11,243,107**	12,364,832	–
Impairment loss recognised during the year (Note 20)	**–**	199,309	86,494	**208**	–	12,364,832
Impairment loss no longer Required (Note 20)	**(49,497)**	–	(36,000)	**–**	(1,121,725)	–
Impairment loss utilised during the year	**–**	–	(184,159)	**–**	–	–
Derecognised on disposal of a subsidiary	**–**	(226,509)	–	**–**	–	–
Exchange differences	**–**	–	(4,131)	**–**	–	–
At the end of the year	**560,183**	609,680	636,880	**11,243,315**	11,243,107	12,364,832

The Group's exposure to credit risk is disclosed in Note 31 to the financial statements.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$ 66,037 (31 December 2017 - US$857,367; 1 January 2017- US$6,299,505) that are past due at the end of each reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of each reporting period is as follows:

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Trade receivables past due but not impaired:			
Less than 30 days	**52,891**	854,679	5,431,167
30 to 60 days	**13,146**	2,688	405,434
More than 60 days	**–**	–	462,904
	66,037	857,367	6,299,505

11 Cash and short-term deposits

	The Group			The Company		
	31 December 2018 US$	31 December 2017 US$	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Cash at banks and on hand	**3,864,079**	11,293,854	12,715,825	**413,582**	1,502,074	1,287,070
Short-term deposits	**21,825,820**	25,684,091	16,518,624	**7,057,619**	8,432,769	7,793,979
Cash and short-term deposits	**25,689,899**	36,977,945	29,234,449	**7,471,201**	9,934,843	9,081,049

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for the financial year ended 31 December 2018

11 Cash and short-term deposits (Cont'd)

For the purposes of the consolidated cash flow statement, the cash and cash equivalents comprise of the following:

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$ (Restated)
Cash at banks and on hand	**3,864,079**	11,293,854	12,715,825
Short-term deposits	**21,825,820**	25,684,091	16,518,624
less: Bank overdrafts (Note 14)	**–**	–	(811,256)
Cash and cash equivalents	**25,689,899**	36,977,945	28,423,193

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between four and five weeks (2017 - 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 1.34% to 2.56% (2017 - 0.85% to 1.92%) per annum.

12 Share capital and treasury shares

(a) Share capital

The Group and the Company	Number of ordinary shares **31 December 2018**	31 December 2017	1 January 2017	Amount **31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Issued and fully paid with no par value:						
At beginning and at end of year	**324,116,925**	324,116,925	324,116,925	**37,828,941**	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. All ordinary shares carry one vote per share without restriction.

(b) Treasury shares

The Group	Number of ordinary shares **31 December 2018**	31 December 2017	1 January 2017	Amount **31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
At beginning of year	**1,229,000**	1,522,000	1,450,100	**262,755**	298,272	283,123
Purchase of treasury shares	**861,100**	–	71,900	**59,131**	–	15,149
Disposal of treasury shares	**–**	(293,000)	–	**–**	(35,517)	–
At end of year	**2,090,100**	1,229,000	1,522,000	**321,886**	262,755	298,272

The Company	Number of ordinary shares **31 December 2018**	31 December 2017	1 January 2017	Amount **31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
At beginning of year	**1,229,000**	1,229,000	1,229,000	**262,755**	262,755	262,755
Purchase of treasury shares	**861,100**	–	–	**59,131**	–	–
At end of year	**2,090,100**	1,229,000	1,229,000	**321,886**	262,755	262,755

Treasury shares relate to ordinary shares of the Company that are held by the Company. As a result of the acquisition of Racer in 2009, Racer's investment in the Company were deemed as treasury shares.

The disposal of treasury shares of US$35,517 related to disposal of Racer by the Group during the year ended 31 December 2017.

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for the financial year ended 31 December 2018

12 Share capital and treasury shares (Cont'd)

(c) Share options

The options granted, exercised and forfeited under the Trek 2000 International Ltd Share Option Scheme ("ESOS") during the year and options outstanding at the end of the 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 at									
31 December 2018	3	4	6	6	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**

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13 Reserves

	The Group			The Company		
	31 December 2018 US$	31 December 2017 US$	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Revenue reserve	**2,494,455**	8,598,305	2,645,013	**(7,077,683)**	(6,947,873)	(12,473,352)
Capital reserve	**2,716,551**	2,716,551	2,716,551	**–**	–	–
Asset revaluation reserve	**1,055,596**	1,055,596	2,028,550	**–**	–	–
Fair value adjustment reserve	**(376,951)**	563,691	(103,039)	**(376,951)**	563,691	(103,039)
Employee share options reserve	**810,143**	810,143	856,722	**810,143**	810,143	792,149
Translation reserve	**70,486**	(25,127)	–	**–**	–	–
Other reserve	**56,087**	56,087	(3,501,239)	**95,372**	95,372	95,372
	6,826,367	13,775,246	4,642,558	**(6,549,119)**	(5,478,667)	(11,688,870)

(a) Capital reserve

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

(b) Asset revaluation reserve

The revaluation reserve represents increases in the fair value of property, 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.

(c) Fair value adjustment reserve

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

(d) Employee share options reserve

Employee share options reserve represents equity-settled share options granted to employees (Note 2(d)). The reserve 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.

(e) Translation reserve

The 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.

(f) Other reserve

Other reserve comprises the surplus from (i) the sale of treasury shares, (ii) the deficit arising from the dilution of the Group's interest in Racer for comparative periods and (iii) 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 2018

14 Borrowings

The Group	1 January 2017 US$
Current	
- Bank overdrafts (secured)	811,256
- Bank borrowings (secured)	429,846
	1,241,102
Non-current	
- Bank borrowings (secured)	966,657
Total borrowings	2,207,759
Repayable:	
- Not later than 1 year	1,241,102
- Between 1 to 5 years	426,469
- After 5 years	540,188
Total borrowings	2,207,759

Bank overdrafts
As at 1 January 2017, the bank overdrafts were denominated in SGD, repayable on demand, borne interest over the bank's prime lending rate and were secured by a legal charge over the leasehold property of the former subsidiary, located at 28 Changi South Street 1, Changi South Industrial Estate, Singapore 486772.

Bank borrowings
As at 1 January 2017, the bank borrowings were denominated mainly in SGD and Malaysian Ringgit ("RM"). The borrowings were secured by a legal charge over the leasehold property of the former subsidiary of the Group (Note 4), located at 28 Changi South Street 1, Changi South Industrial Estate, Singapore 486772. These borrowings were also guaranteed by a Director of that subsidiary.

The term loans and bank overdrafts were repaid and derecognised on disposal of the subsidiary in the previous financial year ended 31 December 2017.

15 Finance lease liabilities

As at 1 January 2017, the Group leased certain motor vehicles and plant and machinery under hire purchase. These leases have varying terms of renewal and purchase options. The interest rates implicit in these hire purchases, ranged from 1.6% to 3.2% per annum. Future minimum lease payments under hire purchase together with the present value of the net minimum lease payments were as follows:

The Group	As at 1 January 2017 Minimum payment US$	As at 1 January 2017 Present Value of payment US$
Within one year	159,862	150,748
After one year but not more than five years	165,660	158,843
Total future minimum lease payments	325,522	309,591
Less: Amounts representing finance charges	(15,931)	–
Present Value of net minimum lease payments	309,591	309,591

The finance lease liabilities were derecognised on disposal of the former subsidiary in the previous financial year ended 31 December 2017.

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for the financial year ended 31 December 2018

16 Deferred taxation Liabilities

Deferred tax liabilities recognised mainly relate to temporary differences between the accounting depreciation and amortisation of the assets held by certain subsidiaries with its tax depreciation and amortisation of the assets.

The Group	**1 January 2017 US$**	**Effects on disposal of a subsidiary US$** (Note 6(B))	**Recognised in statement of comprehensive income US$** (Note 25)	**31 December 2017 US$**	**Recognised in statement of comprehensive income US$** (Note 25)	**31 December 2018 US$**
Deferred tax liabilities	697,890	(458,508)	(197,089)	42,293	(17,277)	**25,016**

17 Trade and other payables

	The Group			**The Company**		
	31 December 2018 US$	31 December 2017 US$ (Restated)	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$ (Restated)	1 January 2017 US$
Trade payables	**25,366**	1,943,018	14,464,012	**20,609**	24,492	121,406
Other creditors	**549,737**	684,204	1,720,685	**–**	–	–
Non-trade creditors	**218,423**	379,704	165,367	**198,159**	253,432	113,294
Amounts due to related parties (non-trade)	**8,327**	10,868	12,091	**–**	–	–
Amounts due to subsidiaries (non-trade)	**–**	–	–	**–**	–	106,294
Accrued salaries and wages	**82,000**	–	–	**–**	–	–
Accrued operating expenses	**774,260**	931,791	2,307,815	**252,800**	462,238	849,911
Financial liabilities at amortised costs	**1,658,113**	3,949,585	18,699,970	**471,568**	740,162	1,190,905

As at 31 December 2018, trade payables are unsecured, non-interest bearing and are normally settled on cash on delivery while other payables have an average credit term of 6 months.

Amount due to related parties and subsidiaries are non-interest bearing, unsecured and repayable on demand.

18 Provisions

The Group	**31 December 2018 US$**	31 December 2017 US$
At the beginning of the year	**2,494,452**	900,000
Additional provision recognised	**500,000**	1,594,452
Reversal of provision no longer required	**(1,594,452)**	–
At the end of the year	**1,400,000**	2,494,452

As at 31 December 2018, approximately US$ 0.9 million related to a provision for compensation sought by a customer (31 December 2017 and 1 January 2017: US$ 0.9 million).

The remaining provisions relate 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 as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

19 Revenue

The Group	2018 US$	2017 US$
Sale of goods, recognised at a point in time	**30,036,137**	112,387,329
Licensing income, recognised over time	**43,538**	229,526
	30,079,675	112,616,855

20 Expenses by nature

Included in the cost of sales, research and development costs, marketing and distribution and general expenses are the following:

The Group	2018 US$	2017 US$ (restated)
Cost of sales:		
Cost of goods purchased	**29,038,355**	93,639,720
Provision for inventory obsolescence recognised/ (reversed)	**976,284**	(98,277)
Provision for warranty (reversed)/ recognised	**(1,094,452)**	1,594,452
Research and development:		
Amortisation expenses (Note 5)	**547,401**	899,950
Consultancy fee	**143,265**	–
Impairment loss recognised on property, plant and equipment	**–**	276,668
Patents written-off (Note 5)	**–**	950,106
Professional fees	**183,120**	–
Salary and related costs	**330,747**	753,681
Marketing and distribution:		
Consultancy fee	**206,179**	–
Impairment loss on trade receivables (reversed)/ recognised	**(49,497)**	199,309
Salary and related costs	**843,636**	971,783
General and administrative expense:		
Audit fees:		
- Auditors of the Company	**78,571**	107,012
- Other auditors	**23,967**	22,388
Directors' fees	**93,152**	118,064
Depreciation of property, plant and equipment	**250,612**	391,482
Legal and professional fees	**334,974**	521,310
Non-deductible GST related expenses	**242,116**	–
Operating lease expense	**115,012**	122,264
Property, plant and equipment written off	**–**	390
Tax-related compliance fees	**43,633**	39,643
Salary and related costs	**512,914**	858,049

21 Interest income

The Group	2018 US$	2017 US$
Interest income from:		
- short-term deposits	**501,055**	296,229
- quoted debt investments	**628,208**	810,829
	1,129,263	1,107,058

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

22 Other income

The Group	2018 US$	2017 US$
Freight income	**2,114**	6,699
Foreign exchange gain	**–**	272,197
Government grants	**10,504**	77,331
Others	**78,582**	57,367
	91,200	413,594

23 Other operating expenses

The Group	2018 US$	2017 US$
Foreign exchange loss	**210,990**	7,327
Net loss on disposal of quoted investments, designated at FVOCI	**164,245**	106,275
Net loss on disposal of a subsidiary	**–**	1,077,494
Fair value loss on quoted investments, designated at FVTPL	**455,202**	–
Compensation paid to a customer	**–**	250,000
Others	**–**	390
	830,437	1,441,486

24 Employee benefits expense

The Group	2018 US$	2017 US$
Directors' fees	**93,152**	118,064
Directors' remuneration other than Directors' fee:		
Short-term employee benefits	**412,941**	474,594
Contributions to defined contribution plans	**33,048**	19,600
	445,989	494,194
Key management personnel (other than Directors):		
Short-term employee benefits	**233,828**	466,577
Contributions to defined contribution plans	**19,450**	40,321
	253,278	506,898
Other than Directors and key management personnel:		
Short-term employee benefits	**1,078,490**	1,415,736
Contributions to defined contribution plans	**117,723**	166,685
	1,196,213	1,582,421
Total staff costs*	**1,988,632**	2,701,577

* Included payroll related costs capitalised in development costs under "Intangible Assets", amounting to US$208,183 (2017 – US$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

24 Employee benefits expense (Cont'd)

The Trek 2000 International Ltd Share Option Scheme

Group executives, including Directors, are granted options based on quantitative and non-quantitative performance indicators, including past performance, expertise, and potential for greater achievements and contributions to the Group. The option will vest over two years after the date of grant. The options, once vested, remain exercisable as long as the employee (including Directors) 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 Group 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.

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2018		2017	
	No.	**WAEP US$**	No.	WAEP US$
Outstanding at 1 January	**3,880,000**	**0.264**	4,982,500	0.282
Forfeited [1]	**(50,000)**	**0.356**	(282,500)	0.345
Expired	**–**	**–**	(820,000)	0.346
Outstanding at 31 December [3]	**3,830,000**	**0.263**	3,880,000	0.264
Exercisable at 31 December	**3,830,000**	**0.263**	3,880,000	0.264

(1) None of the options forfeited pertains to those options held by Directors who have resigned from the Group.

(2) None of the options forfeited pertains to those options held by Directors who are holding executive functions in the Group. The option period of which, commences from the first anniversary of the date of grant but before the tenth anniversary of such date of grant.

(3) The range of exercise prices for options outstanding at the end of the year was S$0.146 to S$0.356 (2017 -S$0.146 to S$0.356). The weighted average remaining contractual life for these options is 2.6 years (2017 - 3.6 years).

25 Income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

The Group	**2018 US$**	2017 US$
Current taxation		
- current year	**-**	1,518,633
- under/(over) provision in respect of prior years	**625,659**	(105,007)
	625,659	1,413,626
Deferred taxation (Note 16)	**(17,277)**	(197,089)
	608,382	1,216,537

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 Income tax expense (Cont'd)

A reconciliation of the income tax expense applicable to the (loss)/profit before income tax at the statutory income tax rates to the income tax expense for the reporting period, is as follows:

	2018 US$	2017 US$ (restated)
The Group		
(Loss)/Profit before income tax	**(3,115,627)**	9,827,636
Tax at applicable tax rates of 17% (2017 - 17%)	**(529,657)**	1,670,699
Different tax rate due to different tax jurisdictions	**(30,787)**	(17,135)
Tax effect of non-deductible expenses	**163,584**	756,964
Tax effect on non-taxable income	**–**	(46,111)
Effect of income taxed at concessionary rate and tax relief	**–**	(32,103)
Under/(over) provision of current tax in prior years	**625,659**	(105,007)
(Over)/under provision of deferred tax in prior years	**–**	(197,089)
Utilisation of DTA previously not recognised	**379,583**	(813,681)
	608,382	1,216,537

(1) Up to FY2017, a subsidiary of the Company was granted the Development and Expansion Incentive ("DEI") under the International Headquarters Award by the Economic Development Board ("EDB") based on the Letter of Offer dated 16 January 2012. The period of the incentive was for 10 years and the date of commencement of the incentive was 7 November 2011. In this regard, qualifying income in excess of the subsidiary's base income was subject to tax at the concessionary tax rate of 5%. In December 2017, EDB terminated the incentive as the subsidiary was unable to fulfil the qualifying criteria.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Non-deductible expenses mainly relate to amortisation of intangible assets, depreciation on property, plant and equipment, and loss on disposal of quoted debt instruments.

At the end of reporting period, the Group has tax losses of approximately US$23,230,000 (2017 - US$20,995,000) that are available for offset against future taxable income of the companies in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

26 Earnings per share

The Group	2018 US$	2017 US$ (Restated)
(Loss)/Profit net of tax, attributable to ordinary shareholders of the Company	**(3,687,058)**	8,452,179
	No. of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share*	**322,871,751**	324,116,925
Basic earnings per share (in cents)	**(1.14)**	2.61
Weighted average number of ordinary shares used in the calculation of diluted earnings per share*	**322,871,751**	324,116,925
Diluted earnings per share (in cents)	**(1.14)**	2.61

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

All 3,830,000 (2017 – 3,880,000) share options granted to Directors and employees under the existing share option scheme in prior financial years have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

During the financial year, senior executives have not exercised any options to acquire ordinary shares. There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

27 Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following amounts are transactions with related parties based upon commercial arm's length terms and conditions:

The Group	2018 US$	2017 US$
Sales of goods to related company	**11,984**	268,090
Consultancy fee paid to ex-Director and controlling shareholder	**188,868**	–

(b) Compensation of key management personnel

The Group	2018 US$	2017 US$
Short-term employee benefits	**739,921**	1,055,659
Contributions to defined contribution plans	**52,498**	59,864
Consultancy fee paid to ex-Director and controlling shareholder	**188,868**	–
	981,287	1,115,523
Comprise amounts paid/payable to:		
- Directors of the Group	**539,141**	723,713
- other key management personnel	**442,146**	391,810
	981,287	1,115,523

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

27 Related party transactions (Cont'd)

(b) Compensation of key management personnel (Cont'd)

Key management personnel's (including Directors) interests in the Trek 2000 International Ltd Share Option Scheme

During the financial years ended 31 December 2018 and 2017:

No share options were grated to key management personnel under the Trek 2000 International Ltd Share Option Scheme 2011.

Share options granted to the Company's Directors (including non-executive Directors) in prior years are disclosed in the Directors' statement.

At the end of the reporting period, the total number of outstanding share options granted by the Company to the Directors and key management personnel under the Trek 2000 International Ltd Share Option Scheme 2011 amount to 2,140,000 (2017 - 2,140,000).

At the end of the reporting period, the total number of outstanding share options granted by the Company to the above mentioned key management personnel (including Directors) under the Trek 2000 International Ltd Share Option Scheme 2011 are as follows:

- 40,000 ordinary shares at a price of S$0.146 each, exercisable between 12 May 2010 to 12 May 2019
- 550,000 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
- 90,000 ordinary shares at a price of S$0.362 each, exercisable between 10 February 2016 to 10 February 2020

Key management personnel's interests in the Cloud Stringers (S) Pte. Ltd. ("Cloud Stringers") Share Option Scheme

As at 31 December 2018, the controlling shareholder of the Company has an option to subscribe for 700,000 ordinary shares of Cloud Stringers at S$0.25 per share between 2 June 2015 and 2 June 2018. In the last financial year, the options granted to the current Group President and Executive Director of the Company to subscribe for 400,000 ordinary shares of Cloud Stringers at S$0.25 per share between 2 June 2014 and 2 June 2017 have lapsed.

28 Operating lease commitments

Where the Group is the lessee

At the reporting date, the Group was committed to make the following rental payments in respect of operating leases of office premises and office equipment.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

The Group	**2018 US$**	2017 US$
Not later than one year	**119,834**	131,698
Later than one year and not later than five years	**60,050**	115,576

NOTES TO THE FINANCIAL STATEMENTS

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29 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

- UBS
- Wireless
- Anti-piracy
- Compression
- Security/Encryption
- Enterprise Solutions
- Portable Storage Solutions encompassing Flash Memory, Hard Disk and Optical Technologies

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude the finance income and costs, share of results of associate, 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.

Sales between operating segments are carried out at arm's length.

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.

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for the financial year ended 31 December 2018

29 Operating segments (Cont'd)

Business segments

	Note	Customised Solutions		Interactive Consumer Solutions		Licensing		Others		Consolidated	
		2018 US$	2017 US$	**2018 US$**	2017 US$	**2018 US$**	2017 US$	**2018 US$**	2017 US$	**2018 US$**	2017 US$
Segment revenue [(1)]											
Sales to external customers		**2,904,452**	2,585,145	**27,131,685**	109,802,184	**43,538**	229,526	**–**	–	**30,079,675**	112,616,855
Results:											
Depreciation and amortisation		**24,193**	8,987	**773,300**	1,280,611	**520**	1,834	**–**	–	**798,013**	1,291,432
Property, plant and equipment written off		**–**	–	**–**	390	**–**	–	**–**	–	**–**	390
Intangible assets written off		**–**	–	**–**	950,106	**–**	–	**–**	–	**–**	950,106
Impairment loss on property, plant and equipment		**–**	6,915	**–**	269,753	**–**	–	**–**	–	**–**	276,668
(Reversal of)/ impairment of trade receivables, net		**(4,857)**	4,981	**(44,640)**	194,328	**–**	–	**–**	–	**(49,497)**	199,309
Segment (loss)/profit	A	**(406,617)**	126,244	**(3,832,214)**	8,600,637	**(6,059)**	11,209	**1,129,263**	1,089,546	**(3,115,627)**	9,827,636
Assets:											
Additions to non-current assets	B	**2,047**	821	**237,845**	34,464	**–**	–	**–**	–	**239,892**	35,285
Segment assets	C	**3,055,570**	1,074,274	**28,121,789**	41,908,151	**1,366,979**	1,695,379	**17,000,156**	16,435,026	**49,544,494**	61,112,830
Segment liabilities	D	**299,713**	161,058	**2,758,400**	6,282,982	**–**	–	**857,039**	1,994,487	**3,915,152**	8,438,527

(1) There were no inter-segment sales during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

29 Operating segments (Cont'd)

Business segments (Cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The following items are added to/(deducted from) segment profit to arrive at "(Loss)/Profit before income tax" presented in the consolidated statement of comprehensive income:

The Group	2018 US$	2017 US$
Interest income	**1,129,263**	1,107,058
Finance costs	**–**	(17,512)
	1,129,263	1,089,546

B Additions to non-current assets consist of additions to property, plant and equipment, 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	2018 US$	2017 US$
Quoted debt instruments – at FVOCI	**10,570,526**	16,435,026
Funds managed by a Fund Manager – at FVTPL	**5,812,084**	–
Unquoted investment in a fund – at FVOCI	**617,546**	–
	17,000,156	16,435,026

D The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

The Group	2018 US$	2017 US$
Income tax payable	**832,023**	1,952,197
Deferred taxation	**25,016**	42,293
	857,039	1,994,490

Geographical information

Group's revenues and its non-current assets (other than available-for-sale financial assets and deferred tax assets) are divided into the following geographical areas:

	Revenue		Non-current assets	
Principal markets	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
China/Hong Kong	**21,698**	65,663	**1**	1
Taiwan	**3,005**	17,553	**–**	–
India	**2,070**	1,715	**4**	5
Singapore	**1,359**	2,303	**2,671**	3,228
Indonesia	**1,173**	–	**–**	–
Malaysia	**651**	22,161	**–**	1
Thailand	**15**	275	**–**	–
Europe	**3**	367	**–**	–
United States of America	**2**	1,098	**–**	–
Japan	**–**	33	**–**	–
Others	**104**	1,449	**–**	–
	30,080	112,617	**2,676**	3,235

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

29 Operating segments (Cont'd)

Geographical information (Cont'd)

Non-current assets information presented above consists of property, plant and equipment and intangible assets as presented in the consolidated statement of financial position.

Information about major customers

Revenue from 3 (2017 - 3) major customers amounted to US$14,878,484 (2017 – US$69,873,555).

30 Financial risk management objectives and policies

The Company and the Group are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and 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 Company's and the Group's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity. There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

30.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For trade receivables recorded at amortised cost, the Group has guidelines governing the process of granting credit. Transactions with these counterparties are restricted to those that meet the appropriate credit criteria.

The principal risk to which the Group is exposed to in respect of trade receivables relate to debtors that are in significant difficulties and have defaulted on payments. To mitigate the risk, management continually monitors the risk and has established processes including performing credit evaluations of the parties it extends credit to. In some circumstances, management would require full payment in advance prior to the delivery of the goods. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as disclosed in Note 10.

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on similar credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers under each business.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group generally considers a financial asset to be in default if the counterparty fails to make contractual payments within 60 days when the amounts fall due and management writes off the financial asset when the Group assesses that the debtor fails to make contractual payments. When receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. When recoveries are made, they are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

30 Financial risk management objectives and policies (Cont'd)

30.1 Credit risk (Cont'd)

Investment in quoted debt instruments, Funds placed with a Fund Manager and Investment in an Unquoted Fund

As at 31 December 2018, the total carrying amounts of financial instruments, including the quoted debt instruments, funds placed with a fund manager and investment in an unquoted fund, that were exposed to credit risk, amounted to US$ 17,000,156 (31 December 2017: US$ 16,435,026). The fund managers who managed the Group's surplus funds have credit policies in place and the exposure to credit risk is monitored on an on-going basis.

30.2 Liquidity risk

Liquidity risk is the risk that the Group or 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 objectives are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's financial liabilities comprising trade and other payables. Nevertheless, 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 level of cash and bank balances to meet its working capital requirements.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets. In particular, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Funds placed with a fund manager and Investment in an Unquoted Fund

The Group's and the Company's funds placed with a fund manager and its investment in an unquoted fund are considered readily realisable, as they are listed on major stock exchanges. The fund managers are required to comply with the restrictions and limitations as stipulated in the investment mandate.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Carrying amount US$	Contractual cash flows US$	Less than 1 year US$	Between 2 and 5 years US$	Over 5 years US$
The Group					
As at 31 December 2018					
Trade and other payables	**1,658,113**	**1,658,113**	**1,658,113**	**–**	**–**
As at 31 December 2017					
Trade and other payables	3,949,585	3,949,585	3,949,585	–	–
As at 1 January 2017					
Borrowings	2,207,759	2,207,759	1,241,102	426,469	540,188
Finance lease liabilities	309,591	325,522	159,862	165,660	–
Trade and other payables	18,699,970	18,699,970	18,699,970	–	–
	21,217,320	21,233,251	20,100,934	592,129	540,188

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

30 Financial risk management objectives and policies (Cont'd)

30.2 Liquidity risk (Cont'd)

	Carrying amount US$	Contractual cash flows US$	Less than 1 year US$	Between 2 and 5 years US$	Over 5 years US$
The Company					
As at 31 December 2018					
Trade and other payables	**471,568**	**471,568**	**471,568**	**–**	**–**
As at 31 December 2017					
Trade and other payables	740,162	740,162	740,162	–	–
As at 1 January 2017					
Trade and other payables	1,190,905	1,190,905	1,190,905	–	–

30.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company are not exposed to interest rate risk.

30.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of Group entities, namely Singapore dollar and other foreign currencies. The foreign currencies in which these transactions are denominated are primarily Singapore dollar and other foreign currencies. 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 for working capital purposes.

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 and the Company's exposures in financial instruments to the various foreign currencies are mainly as follows:

	Singapore dollar $'000	Others $'000
The Group		
31 December 2018		
Trade and other receivables (Note 10)	**411**	**63**
Cash and cash equivalents (Note 11)	**479**	**534**
Trade and other payables (Note 17)	**(1,019)**	**(83)**
Net exposure	**(129)**	**514**
31 December 2017		
Trade and other receivables (Note 10)	2,724	56
Cash and cash equivalents (Note 11)	5,759	370
Trade and other payables (Note 17)	(1,159)	(105)
Net exposure	7,324	321

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

30 Financial risk management objectives and policies (Cont'd)

30.4 Foreign currency risk (Cont'd)

	Singapore dollar $'000	Others $'000
The Company		
31 December 2018		
Trade and other receivables (Note 10)	**40**	**–**
Cash and cash equivalents (Note 11)	**16**	**–**
Trade and other payables (Note 17)	**(472)**	**–**
Net exposure	**(416)**	**–**
31 December 2017		
Trade and other receivables (Note 10)	1,114	–
Cash and cash equivalents (Note 11)	388	–
Trade and other payables (Note 17)	(740)	–
Net exposure	762	–

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar and other foreign currency exchange rates against USD, with all other variables held constant, of the Group's (loss)/profit after income tax and equity.

		2018		2017	
		Profit/ (loss) net of tax US$'000	**Equity US$'000**	Profit/ (loss) net of tax US$'000	Equity US$'000
The Group					
Singapore Dollar	- strengthened 5% (2017 - 5%)	**(6)**	**(6)**	(26)	(26)
	- weakened 5% (2017 - 5%)	**6**	**6**	26	26
Others	- strengthened 5% (2017 - 5%)	**(21)**	**(21)**	-	-
	- weakened 5% (2017 - 5%)	**21**	**21**	-	-

30.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group is exposed to market price risks arising from its quoted investments in debt instruments designated at FVOCI, its quoted investments on funds placed with a Fund Manager and (iii) its unquoted investment in a fund.

Market price sensitivity

At the end of reporting period, if the market prices had been 2% (2017 - 2%) higher/lower with all other variables held constant, the Group's (i) other reserve in equity would have been $211,000 (2017 - $329,000) higher/lower, arising as a result of higher/lower fair value gains on the Group's investments in quoted debt instruments designated at FVOCI; and (ii) loss before tax would have been $129,000 lower/higher, arising as a result of an increase/decrease in the fair value of financial assets designated at FVTPL (2017 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

30 Financial risk management objectives and policies (Cont'd)

30.6 Financial instruments by category

	The Group			The Company		
	31 December 2018 US$	31 December 2017 US$ (Restated)	1 January 2017 US$	**31 December 2018 US$**	31 December 2017 US$ (Restated)	1 January 2017 US$
Financial assets						
Financial assets measured at amortised costs:						
Trade and other receivables (Note 10)	**674,759**	3,254,199	17,106,736	**5,135,140**	4,333,705	562,834
Cash and cash equivalents (Note11)	**25,689,899**	36,977,945	29,234,449	**7,471,201**	9,934,843	9,081,049
	26,364,658	40,232,144	46,341,185	**12,606,341**	14,268,548	9,643,883
Financial liabilities						
Financial liabilities measured at amortised costs:						
Trade and other payables (Note 17)	**1,658,113**	3,949,585	18,669,970	**471,568**	740,162	1,190,905

The Group and the Company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

31 Capital risk management

The Group's and the Company's objectives when managing capital are

- to safeguard the Group's and the Company's abilities to continue as a going concern;
- to support the Group's and the Company's stability and growth;
- to provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- 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 shareholders' 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.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group and the Company, is reasonable.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

31 Capital risk management (Cont'd)

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total equity:

The Group	**31 December 2018 US$**	31 December 2017 US$	1 January 2017 US$
Trade and other payables (Note 17)	**1,658,113**	3,949,585	18,669,970
Less: Cash and bank balances (Note 11)	**(25,689,899)**	(36,977,945)	(29,234,449)
Net cash	**(24,031,786)**	(33,028,360)	(10,564,479)
Equity attributable to the owners of the Company	**44,333,422**	51,341,342	42,173,227
Add/(Less): Fair value adjustment reserve	**376,951**	(563,691)	(103,039)
Total Capital	**44,710,373**	50,777,651	42,070,188
Gearing ratio	**NM***	NM*	NM*

NM*- Not meaningful as the Group is in net cash position as at 31 December 2018, 31 December 2017 and 1 January 2017.

There were no changes in the Company's and the Group's approach to capital management during the year.

32 Fair value measurement

Definition of fair value
FRSs 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 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:

- 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 : unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

32 Fair value measurement (Cont'd)

Fair value hierarchy (Cont'd)

Fair values of financial instruments
The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

The Group	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2018				
Financial assets				
Quoted debt instruments – at FVOCI (Note 8)	**10,570,526**	**–**	**–**	**10,570,526**
Funds managed by a Fund Manager - at FVTPL (Note 8)	**–**	**5,812,084**	**–**	**5,812,084**
Unquoted investment in a fund- at FVTPL (Note 8)	**–**	**–**	**617,546**	**617,546**
	10,570,526	**5,812,084**	**617,546**	**17,000,156**
Non-financial assets				
Freehold property (Note 4)	**–**	**–**	**607,340**	**607,340**
Leasehold properties (Note 4)	**–**	**–**	**547,433**	**547,433**
	–	**–**	**1,154,773**	**1,154,773**
31 December 2017				
Financial assets				
Available-for-sale investments (Note 8)	16,435,026	–	–	16,435,026
Non-financial assets				
Freehold property (Note 4)	–	–	630,699	630,699
Leasehold properties (Note 4)	–	–	615,862	615,862
	–	–	1,246,561	1,246,561

Financial assets

Quoted debt instruments
The fair value is based on quoted market prices at the balance sheet date. The quoted market price used for the quoted debt instruments is the current bid price and they are included in Level 1.

Funds managed by a Fund Manager
The fair value is based on the quoted market prices of the underlying quoted investments at the balance sheet date and is included in Level 2.

Unquoted 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.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The fair value is calculated using the net asset value ("NAV") of the investee entity adjusted for the fair value of the underlying quoted and unquoted investments, where applicable.	Fair value of unquoted investments	The estimated fair value would increase/ (decrease) if the fair value of unquoted investments increase/ (decrease)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

32 Fair value measurement (Cont'd)

Other financial assets and liabilities
The carrying amounts of financial assets and financial liabilities of less than one year including trade and other receivables (Note 10), cash and cash equivalents (Note 11) and trade and other payables (Note 17) approximate their fair values because of the short period to maturity.

Fair value measurement of non-financial assets

Freehold and leasehold properties (Note 4)
The fair value of the freehold and leasehold properties is determined by independent firms of professional valuers who have appropriate recognised professional qualification and experience in the category of the investment 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 all of the Group's freehold and leasehold properties, the current use is considered to be the highest and best use. The fair value of freehold and leasehold properties, classified as Level 3, has been derived using the direct comparison method, which is checked against the fair value derived from the income capitalisation method, and residual method.

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 residual method is based on assessment of the value of the project as if it is completed using a comparison approach and deducting the total costs of the development as well as an appropriate allowance for profit on the development.

The fair value of freehold and leasehold properties included in Level 3 is determined as follows:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct comparison method	- Price per square meter - Expected average rental growth - Capitalisation rate	The estimated fair value would increase (decrease) if: - Price per square meter was higher (lower); - Expected average rental growth was higher (lower); - Capitalisation rate was lower (higher).
Residual method	- Price per square meter - Discount rate	The estimated fair value would increase (decrease) if: - Price per square meter was higher (lower); - Discount rate was lower (higher).

33 Prior year's adjustments and application of optional exemption under SFRS(I) 1

Prior year's adjustments
During the financial year, management identified an overstatement of accrued legal and professional fees amounting to US$3.01million as at 31 December 2017 for the Group and the Company. The overstatement was mainly due to the accrual of such fees arising from the on-going reviews and investigations which had not been incurred and did not constitute a present obligation as at 31 December 2017. The prior year's adjustment did not have an impact to the audited Group's profit and the Company's loss for the financial year ended 31 December 2016.

Management corrected the material prior year's error identified above retrospectively by restating the comparative amounts in the prior period's statements of financial position and statements of comprehensive income in accordance with SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Error.

Foreign currency translation reserve ("FCTR")
The Group has elected the optional exemption in SFRS(I) to reset its cumulative FCTR for all foreign operations to Nil at the date of transition and reclassify the cumulative FCTR of US$1,004,726 as at 1 January 2017 determined in accordance with FRS at that date to revenue reserve. The loss on disposal of Racer has also excluded the reclassification of the cumulative translation differences amounting to US$225,398 that arose before the date of transition.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

33 Prior year adjustments (Cont'd)

Application of optional exemption under SFRS(I) 1

The prior year adjustments and adoption of optional exemption under SFRS(I), to the extent that they are applied retrospectively, have the following impact:

	As previously reported US$	Prior year adjustments US$	Reclassification/ Optional exemption under SFRS(I) 1 US$	As restated US$
The Group				
As at 1 January 2017				
Statement of financial position				
Revenue reserve	3,649,739	–	(1,004,726)	2,645,013
Translation reserve	(1,004,726)	–	1,004,726	–
Statement of comprehensive income for the financial year ended 31 December 2017				
General administrative expenses	(5,646,058)	3,013,097	–	(2,632,961)
Other operating expenses	(1,666,884)	–	225,398	(1,441,486)
Foreign currency translation differences				
- Revenue reserve	–	–	238,463	238,463
- Translation reserve	645,706	–	(670,833)	(25,127)
- Non-controlling interest	18,426	–	(18,426)	–
Reclassification of foreign currency translation difference on disposal of a subsidiary	(225,398)	–	225,398	–
As at 31 December 2017				
Statement of financial position				
Trade and other payables	6,962,682	(3,013,097)	-	3,949,585
Revenue reserve	6,126,073	3,013,097	(540,865)	8,598,305
Translation reserve	(584,418)	–	559,291	(25,127)
Non-controlling interests	1,351,297	–	(18,426)	1,332,871
The Company				
Statement of financial position				
Trade and other payables	3,753,259	(3,013,097)	–	740,162
Revenue reserve	(9,960,970)	3,013,097	–	(6,947,873)

34 Dividend

The Group and the Company	**2018 US$**	2017 US$
Ordinary dividends paid		
Final dividend of S$0.01 (2017- Nil) per ordinary share in respect of the previous financial year	**2,416,792**	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

35 Subsequent events

On 14 January 2019, the Board of Directors announced that the Company has invested US$3 million to acquire a 7.5% equity interest in Terrenus Energy Pte Ltd, a leading energy solutions company with operations in Singapore, Australia and China.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

Class of Shares	:	Ordinary Shares
Voting Rights (excluding treasury shares)	:	One Vote per Share
No. of issued shares	:	324,116,925 shares
No. of issues shares (excluding treasury shares)	:	321,231,725 shares
No. of treasury shares	:	2,885,200 shares
No. of subsidiary holdings held	:	Nil

Distribution of Shareholdings as at 18 March 2019 (excluding treasury shares)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	18	0.98	622	0.00
100 – 1,000	135	7.37	69,574	0.02
1,001 – 10,000	782	42.66	4,382,370	1.36
10,001 – 1,000,000	874	47.68	63,536,812	19.78
1,000,001 and above	24	1.31	253,242,347	78.84
Total	1,833	100.00	321,231,725	100.00

Substantial Shareholders as at 18 March 2019

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Henry @ Henn Tan	101,383,191	31.56	720,000[1]	0.22
Toshiba Memory Corporation	44,212,359[3,4]	13.76	8,500,000[2,3,4]	2.65
CTI II Limited	27,500,000	8.56	–	–
Creative Technology Ltd	–	–	27,500,000[5]	8.56
Sim Wong Hoo	–	–	27,500,000[6]	8.56
Ron Sim Chye Hock	28,374,600	8.83	–	–

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. *Toshiba Memory Corporation is deemed to be interested in 8,500,000 shares held by its wholly-owned subsidiaries, Toshiba Memory Singapore Pte Ltd;*
3. *Toshiba Corporation holds approximately 40.2% of the voting rights in Toshiba Memory Corporation and, is deemed interested in 44,212,359 shares held by Toshiba Memory Corporation and 8,500,000 shares held by Toshiba Memory Singapore Pte Ltd;*
4. *BEPC Pangea Cayman, LLP holds approximately 49.9% of the voting rights in Toshiba Memory Corporation and, is deemed interested in 44,212,359 shares held by Toshiba Memory Corporation and 8,500,000 shares held by Toshiba Memory 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

Twenty Largest Shareholders as at 18 March 2019

No.	Name of Shareholders	No. of shares	%
1	TAN HENRY @ HENN TAN	100,533,191	31.30
2	DAIWA CAPITAL MARKETS SINGAPORE LIMITED	37,912,359	11.80
3	RAFFLES NOMINEES (PTE.) LIMITED	31,411,205	9.78
4	CTI II LIMITED	27,500,000	8.56
5	DBS NOMINEES (PRIVATE) LIMITED	8,969,600	2.79
6	TOSHIBA MEMORY SINGAPORE PTE. LTD.	8,500,000	2.65
7	TAN KAY TOH OR YU HEA RYEONG	5,396,900	1.68
8	PHILLIP SECURITIES PTE LTD	3,347,700	1.04
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,043,700	0.95
10	TAN BOON SIONG	3,011,648	0.94
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	0.70
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,169,268	0.68
15	NEO AH SENG (LIANG YACHENG)	2,000,000	0.62
16	SOH MEIQI, PETRINA	1,839,250	0.57
17	RHB SECURITIES SINGAPORE PTE. LTD.	1,700,000	0.53
18	CHEW GHIM BOK	1,497,000	0.47
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,460,000	0.45
20	ANG HAO YAO (HONG HAOYAO)	1,303,000	0.41
	Total:	**248,827,097**	**77.47**

Based on Shareholders' Information as at 18 March 2019 approximately 32.48% 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 TWENTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting (the "AGM") of the Company will be held at 30 Loyang Way, #07-13/14/15 Loyang Industrial Estate, Singapore 508769 on Tuesday, 23 April 2019 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 2018 together with the Auditor's Report thereon. ***Resolution 1***

2. To approve the payment of the Directors' fees of S$111,267 for the financial year ended 31 December 2018 (2017: S$151,751). ***Resolution 2***

3. To re-elect Mr Chay Yee Meng, 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-elect Mr Khor Peng Soon, the Director retiring by rotation pursuant to Article 103 of the Company's Constitution and who, being eligible, offer himself for re-election. ***Resolution 4***

   [See Explanatory Note (ii)]

5. To re-elect Mr Kuan Mun Kwong, the Director retiring by rotation pursuant to Article 108 of the Company's Constitution and who, being eligible, offer himself for re-election. ***Resolution 5***

   [See Explanatory Note (iii)]

6. To re-elect Mr Kwek Swee Heng, the Director retiring by rotation pursuant to Article 108 of the Company's Constitution and who, being eligible, offer himself for re-election. ***Resolution 6***

   [See Explanatory Note (iv)]

7. To re-elect Mr Tan Joon Yong, Wayne, the Director retiring by rotation pursuant to Article 108 of the Company's Constitution and who, being eligible, offer himself for re-election. ***Resolution 7***

   [See Explanatory Note (v)]

8. To re-appoint Messrs Foo Kon Tan LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 8***

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

9. **Authority to allot and issue shares** ***Resolution 9***

"THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies 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

    (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, 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 (vi)]

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

10. **Authority for Directors to offer and grant options and allot shares pursuant to the Trek 2000 International Ltd Share Option Scheme 2011** ***Resolution 10***

"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 (vii)]

11. **Proposed Renewal of Share Buy-Back Mandate** ***Resolution 11***

"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:

(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;

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

(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 (viii)]

12. 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 April 2019

Explanatory Notes:

i. Key information on Mr Chay Yee Meng can be found on page 12 of the Annual Report 2018. Mr Chay Yee Meng will, upon re-election as Director of the Company, remain as the Independent Non-Executive Chairman of the Board, the Chairman of Audit Committee, Nominating Committee and Risk Review Committee and a member of Remuneration Committee.

ii. Key information on Mr Khor Peng Soon can be found on page 12 of the Annual Report 2018. Mr Khor Peng Soon will, upon re-election as Director of the Company, remain as the Non-Independent Non-Executive Chairman of the Board, the Chairman of Remuneration Committee and a member of Audit Committee and Risk Review Committee.

iii. Key information on Mr Kuan Mun Kwong can be found on page 13 of the Annual Report 2018. Mr Kuan Mun Kwong will, upon re-election as Director of the Company, remain as a member of Risk Review Committee.

iv. Key information on Mr Kwek Swee Heng can be found on page 12 of the Annual Report 2018. 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.

v. Key information of Mr Tan Joon Yong, Wayne can be found on page 13 of the Annual Report 2018. Mr Tan Joon Yong, Wayne will, upon re-election as Director of the Company, remain as a member of Nominating Committee.

vi. Resolution No. 9, if passed, will empower the Directors from the date of the passing of Ordinary Resolution No. 8 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

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

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.

vii. Resolution 10, 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.

viii. Resolution 11, 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 April 2019.

Notes:

(a) A member of the Company shall be entitled to appoint not more than two proxies to attend and vote at the general meeting of the Company. A proxy need not be a member of the Company.

(b) Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shares (expressed as a percentage of the whole) to be represented by each proxy.

(c) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

****Relevant Intermediary is:***

i. a banking corporation licensed under the Banking Act (Cap.19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

ii. a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap.289) and who holds shares in that capacity; or

iii. the Central Provident Fund Board established by the Central Provident Fund Act (Cap.36), in respect of shares purchased on behalf of CPF investors.

(d) A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such corporation.

(e) The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 signed on its behalf by an officer or attorney duly authorised in writing.

(f) Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

(g) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 30 Loyang Way, #07-13/14/15 Loyang Industrial Estate, Singapore 508769, not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting.

(h) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis of the Company (or its agents or service providers) of proxies and/or representatives appointed 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 (iii) 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.

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TREK 2000 INTERNATIONAL LTD

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

TWENTIETH ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT
CPF investors
1. For investors who have used their CPF monies and/or SRS monies to buy Trek 2000 International Ltd's shares, the Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF / SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. A Relevant Intermediary may appoint more than two proxies to attend the Annual General Meeting and vote. (Please see Note 4 for the definition of Relevant Intermediary)

I/We*, ... (Name) .... (NRIC/Passport no.)

of .... (Address)

being *a member/members of Trek 2000 International Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding(s) to be presented by Proxy	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholding(s) to be presented by Proxy	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Twentieth Annual General Meeting ("AGM") of the Company to be held at 30 Loyang Way, #07-13/14/15 Loyang Industrial Estate, Singapore 508769 on Tuesday, 23 April 2019 at 10:00 a.m., and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Resolution No.	Ordinary Resolutions	For#	Against#
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement and the Auditors' Report thereon.		
2.	To approve the payment of the Directors' fees of S$111,267 for the financial year ended 31 December 2018.		
3.	Re-election of Mr Chay Yee Meng as a Director of the Company.		
4.	Re-election of Mr Khor Peng Soon as a Director of the Company.		
5.	Re-election of Mr Kuan Mun Kwong as a Director of the Company.		
6.	Re-election of Mr Kwek Swee Heng as a Director of the Company.		
7.	Re-election of Mr Tan Joon Yong, Wayne as a Director of the Company.		
8.	Re-appointment of Messrs Foo Kon Tan LLP as Auditors of the Company and authority for Directors to fix their remuneration.		
9.	Authority for Directors to allot and issue shares.		
10.	Authority for Directors to offer and grant options and allot shares, pursuant to the Trek 2000 International Ltd Share Option Scheme 2011.		
11.	Renewal of Share Buy-Back Mandate.		

Dated this ________________ day of ____________________ , 2019

Total number of Shares in :	No. of Shares held
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/ Common Seal

* *Delete accordingly*
\# *If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.*

IMPORTANT: Please read notes overleaf

Notes:

1. *Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.*

2. *A member of the Company shall be entitled to appoint not more than two proxies to attend and vote at the general meeting of the Company. A proxy need not be a member of the Company.*

3. *Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shares (expressed as a percentage of the whole) to be represented by each proxy.*

4. *A member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).*

   Relevant Intermediary is:

   (a) *a banking corporation licensed under the Banking Act (Cap.19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who hold shares in that capacity; or*

   (b) *a person holding a capital markets services license to provide a custodial services for securities under the Securities and Futures Act (Cap.289) and who holds shares in that capacity; or*

   (c) *the Central Provident Fund Board established by the Central Provident Fund Act (Cap.36), in respect of shares purchased on behalf of CPF investors.*

5. *A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such corporation.*

6. *The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 signed on its behalf by an officer or attorney duly authorised in writing.*

7. *Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.*

8. *The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 30 Loyang Way, #07-13/14/15 Loyang Industrial Estate, Singapore 508769, not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting.*

9. *An investor who buys shares using CPF monies (**"CPF Investor**") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.*

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 whose shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2019.

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INNOVATION: INSIDE OUT

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