



TREK 2000 INTERNATIONAL LTD (Registration Number 199905744N)

Full Year Financial Statements and Dividend Announcement for the year ended 31 December 2019

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

(i) Consolidated Income Statement

| | Year Ended | | Increase/ (Decrease) |
|---|------------|----------------|-------------------------|
| | 2019 | 2018 | |
| | US\$'000 | US\$'000 | % |
| Revenue | 25,045 | 30,080 | (16.7) |
| Cost of sales | (24,381) | (28,966) | (15.8) |
| Gross profit | 664 | 1,114 | (40.4) |
| Other items of income: | | | |
| Interest income | 997 | 1,129 | (11.7) |
| Other income | 1,690 | 91 | 1,757.1 |
| Other items of expense: | | | |
| Research and development | (1,412) | (1,300) | 8.6 |
| Marketing and distribution | (1,466) | (1,277) | 14.8 |
| General administration | (1,236) | (2,043) | (39.5) |
| Other expenses | - | (830) | (100.0) |
| Finance costs | (10) | - | N.M |
| Profit/(loss) before income tax [1] | (773) | (3,116) | (75.2). |
| Income tax expense | 827 | (608) | N.M) |
| Profit/(loss) for the period | 54 | (3,724) | N.M. |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | 52 | (3,687) | N.M. |
| Non-controlling interests | 2 | (37) | N.M |
| | 54 | (3,724) | N.M. |
| Earnings per share attributable to owners of the Company (expressed in cents per share): | | | |
| – Basic | 0.02 | (1.14) | N.M. |
| – Diluted | 0.02 | (1.14) | N.M. |

(ii) Breakdown and Explanatory Notes to Consolidated Income Statement

[1] Profit before income tax is stated after (charging)/crediting the following:

| | Year Ended | | Increase/ (Decrease) % |
|--|------------------|------------------|------------------------------|
| | 2019 US\$'000 | 2018 US\$'000 | |
| Interest income from: | | | |
| – Short-term deposits | 433 | 501 | (13.6) |
| – Quoted investments | 564 | 628 | (10.2) |
| Write back/(allowance) for doubtful debts, net | 26 | 50 | (48.0) |
| Depreciation of property, plant and equipment | (313) | (251) | 24.7 |
| Amortisation of intangible assets | (36) | (547) | (93.4) |
| Intangible assets | (920) | - | N.M |
| (Provision)/reversal for customer claims | 200 | 1,094 | (81.7) |
| Reversal/(provision) for stock obsolescence & diminution in value of inventory | 843 | (976) | N.M |
| Fair value changes on financial assets designated at FVTPL | 599 | (486) | N.M |
| Gain/(loss) on disposal on financial assets designated at FVOCI | 71 | (164) | N.M |
| Interest expense on: | | | |
| – Hire purchase payables | (1) | - | N.M |
| – Lease | (9) | - | N.M |

[2] The Group adopted SFRS(I) 16 Leases as explained in paragraph 5 below. SFRS(I) 16 is applied retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

(iii) Statement of consolidated comprehensive income statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial period

| | Group | | |
|--|--------------------|--------------------|------------------------------|
| | FY2019 US\$'000 | FY2018 US\$'000 | Increase/ (Decrease) % |
| Profit/(loss) for the year | 54 | (3,724) | N.M. |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Fair value changes on quoted investments | 704 | (939) | N.M. |
| Foreign currency translation | 40 | 95 | (57.9) |
| Other comprehensive income for the year, net of tax | 744 | (844) | N.M |
| Total comprehensive income for the year | 798 | (4,568) | N.M |
| Total comprehensive income for the year | | | |
| Attributable to: | | | |
| Owners of the Company | 796 | (4,531) | N.M |
| Non-controlling interests | 2 | (37) | N.M. |
| | 798 | (4,568) | N.M |

N.M. – not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| BALANCE SHEETS AS AT | Group | | Company | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 Dec 2019 US\$'000 | 31 Dec 2018 US\$'000 | 31 Dec 2019 US\$'000 | 31 Dec 2018 US\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 1,375 | 1,309 | 1 | 3 |
| Right-of-use assets | 115 | — | — | — |
| Intangible assets | 633 | 1,367 | 173 | 177 |
| Investment in subsidiaries | — | — | 1,583 | 1,583 |
| Investment in associates | — | — | 5 | 5 |
| Quoted investments | 7,943 | 10,571 | 7,943 | 10,571 |
| Unquoted investments | 4,005 | — | 4,005 | — |
| | 14,071 | 13,247 | 13,710 | 12,339 |
| Current assets | | | | |
| Inventories | 3,998 | 3,396 | — | — |
| Trade and other receivables | 1,226 | 675 | 128 | 5,135 |
| Prepayments | 46 | 108 | 4 | 54 |
| Quoted investments held for trading | 16,290 | 5,812 | 16,290 | 5,812 |
| Unquoted investments held for trading | 629 | 618 | 629 | 618 |
| Short term deposits | 15,011 | 21,825 | 10,825 | 7,058 |
| Cash at banks and on hand | 1,667 | 3,864 | 1,008 | 414 |
| | 38,867 | 36,298 | 28,884 | 19,091 |
| Total assets | 52,938 | 49,545 | 42,594 | 31,430 |
| Current liabilities | | | | |
| Trade payables and accruals | 4,505 | 25 | 9,135 | 21 |
| Other payables | 1,870 | 3,033 | 177 | 451 |
| Lease liability | 98 | — | — | — |
| Income tax payable | 649 | 832 | — | — |
| | 7,122 | 3,890 | 9,312 | 472 |
| Net current assets | 31,745 | 32,408 | 19,572 | 18,619 |
| Non-current liabilities | | | | |
| Deferred taxation | 43 | 25 | — | — |
| Lease liability | 23 | — | — | — |
| | 66 | 25 | — | — |
| Total liabilities | 7,188 | 3,915 | 9,312 | 472 |
| Net assets | 45,750 | 45,630 | 33,282 | 30,958 |
| Equity attributable to the owners of the Company | | | | |
| Share capital | 37,829 | 37,829 | 37,829 | 37,829 |
| Treasury shares | (507) | (322) | (507) | (322) |
| Revenue reserve | 2,539 | 2,494 | (5,273) | (7,078) |
| Capital reserve | 2,717 | 2,717 | — | — |
| Asset revaluation reserve | 1,056 | 1,056 | — | — |
| Translation reserve | 110 | 70 | — | — |
| Other reserves | 1,144 | 490 | 1,233 | 529 |
| | 44,888 | 44,334 | 33,282 | 30,958 |
| Non-controlling interests | 862 | 1,296 | — | — |
| Total equity | 45,750 | 45,630 | 33,282 | 30,958 |
| Total equity and liabilities | 52,938 | 49,545 | 42,594 | 31,430 |

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (cont'd)

Note:

1 The Group adopted SFRS(I) 16 Leases as explained in paragraph 5 below. SFRS(I) 16 is applied retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

| As at 31 December 2019 US\$'000 | | As at 31 December 2018 US\$'000 | |
|------------------------------------|-----------|------------------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| — | — | — | — |

Amount repayable after one year

| As at 31 December 2019 US\$'000 | | As at 31 December 2018 US\$'000 | |
|------------------------------------|-----------|------------------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| — | — | — | — |

The Group's borrowings presented above did not include Banker's Guarantees of US\$ 4.5 million issued by a bank to a supplier for credit terms granted to a subsidiary of the Company. These Banker's Guarantees were secured by a personal guarantee from the Controlling Shareholder of the Company, Mr Henn Tan, to the bank. The Company reimbursed Mr Tan for the bank commissions of US\$20,619 paid by him. As the value of the interested person transaction in relation to the reimbursement of bank commissions to Mr Tan was below S\$100,000, disclosure was not required under Rule 907 of the SGX Rulebook.

For avoidance of doubt, other than the reimbursements mentioned above, Mr Tan did not receive any cash or benefits-in-kind. Mr Tan also did not benefit personally, financially or otherwise from the Company and its subsidiaries. These transactions were done on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Cash Flow Statement for the Year Ended 31 December

| | Year ended 31 December 2019 US\$'000 | 2018 US\$'000 |
|---|--|------------------|
| Cash flow from operating activities: | | |
| Profit/(loss) before income tax | (773) | (3,116) |
| Adjustments for: | | |
| Amortisation of intangible assets | 36 | 547 |
| Depreciation of property, plant and equipment | 313 | 251 |
| (Gain)/loss on disposal of property, plant and equipment | (24) | – |
| Intangible assets written off | 921 | – |
| Fair value changes on financial assets designated as FVTPL | (599) | 455 |
| (Gain)/loss on disposal on financial assets designated as FVOCI | (71) | 164 |
| Writeback of doubtful debts, net | (26) | (50) |
| (Reversal)/provision for stock obsolescence & diminution in stock value | (843) | 976 |
| Interest income | (997) | (1,129) |
| Interest expense | 10 | – |
| (Writeback)/provision for customer claims/warranty | (200) | (1,094) |
| Operating profit before changes in working capital | (2,253) | (2,996) |
| (Increase)/decrease in trade and other receivables, and prepayments | (464) | 2,675 |
| Decrease/(increase) in inventories | 240 | (3,315) |
| Increase/(decrease) in trade and other payables | 3,517 | (2,292) |
| Cash generated from operating activities | 1,040 | (5,928) |
| Income tax refund/(paid) | 662 | (1,746) |
| Interest received | 434 | 501 |
| Interest paid | (1) | – |
| Net cash generated from operating activities | 2,135 | (7,173) |
| Cash flow from investing activities | | |
| Proceeds from disposal of property, plant and equipment | 56 | – |
| Proceeds from disposal of quoted investments | 8,207 | 7,744 |
| Purchase of property, plant and equipment | (266) | (21) |
| Purchase of quoted investments | (14,600) | (9,078) |
| Purchase of unquoted investments | (4,005) | (823) |
| Payment for development expenditures | (147) | (219) |
| Payment for patent and trademark registration expenses | (76) | – |
| Interest income from quoted investments | 470 | 770 |
| Net cash used in investing activities | (10,361) | (1,627) |
| Cash flow from financing activities | | |
| Repayment to shareholders for share reduction | (486) | – |
| Payment of lease liability | (156) | – |
| Payment of dividends | – | (2,417) |
| Purchase of Treasury shares under share buyback | (185) | (59) |
| Net cash (used in)/generated from financing activities | (827) | (2,476) |
| Net increase in cash and cash equivalents | (9,053) | (11,276) |
| Cash and cash equivalents at beginning of year | 25,689 | 36,978 |
| Effect of foreign exchange difference | 42 | (13) |
| Cash and cash equivalents at end of year | 16,678 | 25,689 |

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

The Group's cash and cash equivalents in the consolidated statement of cash flow consist of the following:

| | 2019 US\$'000 | 2018 US\$'000 |
|---------------------------|------------------|------------------|
| Cash at banks and on hand | 1,667 | 3,864 |
| Short-term deposits | 15,011 | 21,825 |
| | <u>16,678</u> | <u>25,689</u> |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Attributable to owners of the Company | | | | | | | | Non-Controlling Interests US\$'000 | Total Equity) US\$'000 (Restated) |
|--|---------------------------------------|-----------------------------|---|-----------------------------|---------------------------------------|---------------------------------|----------------------------|---------------------------------|---------------------------------------|---|
| | Share Capital US\$'000 | Treasury Shares US\$'000 | Revenue Reserve US\$'000 (Restated) | Capital Reserve US\$'000 | Asset Revaluation Reserve US\$'000 | Translation Reserve US\$'000 | Other Reserves US\$'000 | Total US\$'000 (Restated) | | |
| THE GROUP | | | | | | | | | | |
| Balance as at 1 January 2018 | 37,829 | (263) | 5,585 | 2,717 | 1,056 | (25) | 1,429 | 48,328 | 1,333 | 49,661 |
| Prior year adjustments (in FY2018) | – | – | 3,013 | – | – | – | – | 3,013 | – | 3,013 |
| Balance as at 1 January 2018 (Restated) | 37,829 | (263) | 8,598 | 2,717 | 1,056 | (25) | 1,429 | 51,341 | 1,333 | 52,674 |
| Purchase of Treasury Shares | – | (59) | – | – | – | – | – | (59) | – | (59) |
| Dividend payment | – | – | (2,417) | – | – | – | – | (2,417) | – | (2,417) |
| Total comprehensive income for the period | – | – | (3,687) | – | – | 95 | (939) | (4,531) | (37) | (4,568) |
| Balance as at 31 December 2018 | 37,829 | (322) | 2,494 | 2,717 | 1,056 | 70 | 490 | 44,334 | 1,296 | 45,630 |
| Balance as at 1 January 2019 | 37,829 | (322) | 2,494 | 2,717 | 1,056 | 70 | 490 | 44,334 | 1,296 | 45,630 |
| Prior year adjustments (in FY2019) (Note 1) | – | – | (7) | – | – | – | – | (7) | – | (7) |
| Balance as at 1 January 2019 (Restated) | 37,829 | (322) | 2,487 | 2,717 | 1,056 | 70 | 490 | 44,327 | 1,296 | 45,623 |
| Purchase of Treasury Shares | – | (185) | – | – | – | – | – | (185) | – | (185) |
| Total comprehensive income for the period | – | – | 52 | – | – | 40 | 704 | 796 | 2 | 798 |
| Repayment to non-controlling interest for share reduction | – | – | – | – | – | – | – | – | (486) | (486) |
| Adjustments of Non-Controlling Interest as a result of changes to Non-Controlling Interest after share reduction | – | – | – | – | – | – | (50) | (50) | 50 | – |
| Balance as at 31 December 2019 | 37,829 | (507) | 2,539 | 2,717 | 1,056 | 110 | 1,144 | 44,888 | 862 | 45,750 |

Note:

1 The Group adopted SFRS(I) 16 Leases as explained in paragraph 5 below. SFRS(I) 16 is applied retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

| | Attributable to owners of the Company | | | | | | | |
|--|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------------|---------------------------------|----------------------------|-------------------|
| | Share Capital US\$'000 | Treasury Shares US\$'000 | Revenue Reserve US\$'000 | Capital Reserve US\$'000 | Asset Revaluation Reserve US\$'000 | Translation Reserve US\$'000 | Other Reserves US\$'000 | Total US\$'000 |
| THE COMPANY | | | | | | | | |
| Balance as at 1 January 2018 | 37,829 | (263) | (9,961) | — | — | — | 1,470 | 29,075 |
| Prior Year Adjustments (in FY2018) | — | — | 3,013 | — | — | — | — | 3,013 |
| Balance as at 1 January 2018 (Restated) | 37,829 | (263) | (6,948) | — | — | — | 1,470 | 32,088 |
| Purchase of Treasury Shares | — | (59) | — | — | — | — | — | (59) |
| Dividend payment | — | — | (2,417) | — | — | — | — | (2,417) |
| Total comprehensive income for the period | — | — | 2,287 | — | — | — | (941) | 1,346 |
| Balance as at 31 December 2018 | 37,829 | (322) | (7,078) | — | — | — | 529 | 30,958 |
| Balance as at 1 January 2019 | 37,829 | (322) | (7,078) | — | — | — | 529 | 30,958 |
| Purchase of Treasury Shares | — | (185) | — | — | — | — | — | (185) |
| Total comprehensive income for the period | — | — | 1,805 | — | — | — | 704 | 2,509 |
| Balance as at 31 December 2019 | 37,829 | (507) | (5,273) | — | — | — | 1,233 | 33,282 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the issued and paid-up capital of the Company, since the previous period reported on.

During the year, no share options were granted under the Trek 2000 International Share Options Scheme 2011.

The outstanding share options under Trek 2000 International Share Options Scheme is as follows:

| | Year ended 31 December | |
|--|------------------------|----------------------|
| | FY2019 | FY2018 |
| | No. of share options | No. of share options |
| Unexercised share options | | |
| Balance as at 1 January | 3,830,000 | 3,880,000 |
| Share options lapsed during the period | (40,000) | (50,000) |
| Balance as at 31 December | 3,790,000 | 3,830,000 |

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 December 2019, the share capital of the Company (excluding treasury shares) is as follows:

| | No. of shares | US\$ |
|---|--------------------|-------------------|
| Ordinary shares issued and fully paid | | |
| Balance as at 1 January 2019 | 322,026,825 | 37,507,055 |
| Movement in ordinary shares during the period | (2,573,400) | (184,664) |
| Balance as at 31 December 2019 | 319,453,425 | 37,322,391 |

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

During the year, 2,573,400 shares were acquired by the Company pursuant to the Share Purchase Mandate to be held as "Treasury Shares".

| | Group | | Company | |
|--|------------------|----------------|------------------|----------------|
| | No. of shares | US\$ | No. of shares | US\$ |
| Balance of Treasury Shares as at 1 January 2019 | 2,090,100 | 321,886 | 2,090,100 | 321,886 |
| Purchase of shares held as Treasury Shares | 2,573,400 | 184,664 | 2,573,400 | 184,664 |
| Balance of Treasury Shares as at 31 December 2019 | 4,663,500 | 506,550 | 4,663,500 | 506,550 |

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagement to Review Financial Statements), or an equivalent standard or practice.

The above figures have not been audited or reviewed by its auditors.

3. Whether the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements for the year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s and SFRS(I) Interpretations that are relevant to the Group:

- SFRS(I) 16 *Leases*; and
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*.

The adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

SFRS(I) 16

SFRS (I) 16 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 recognize most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 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. These operating leases are recognized as "Right of Use" ("ROU") assets with corresponding lease liabilities in the statement of financial position. SFRS(I) 16 is applied retrospectively with the cumulative effect recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has assessed the impact to opening balance and current year financial results to be immaterial.

SFRS(I) INT 23

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.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

| THE GROUP | Year ended 31 December | |
|--|------------------------|---------|
| | FY2019 | FY2018 |
| Profit/(loss) net of tax attributable to ordinary equity holders of the Company used in computation of basic earnings per share (US\$'000) | 52 | (3,687) |
| Weighted average number of ordinary shares for basic earnings per share computation (in '000) | 321,340 | 322,872 |
| Weighted average number of ordinary shares for diluted earnings per share computation (in '000) | 321,340 | 322,872 |
| (Amount in USD cents) | | |
| Earnings per ordinary share for the period after deducting any provision for preference dividends- | | |
| (i) Basic earnings per share (in cents) | 0.02 | (1.14) |
| (ii) Diluted earnings per share (in cents) | 0.02 | (1.14) |

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (cont'd)

Note:

Basic earnings per share amounts are calculated by dividing profit for the period that is attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share amounts are calculated by dividing profit for the period that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

| NET ASSET VALUE | GROUP | | COMPANY | |
|---|-------------|-------------|-------------|-------------|
| | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2019 | 31 Dec 2018 |
| Number of ordinary shares (in '000) | 319,453 | 322,027 | 319,453 | 322,027 |
| (Amount in USD cents) | | | | |
| Net asset value per ordinary share based on issued share capital at the end of the period | 14.05 | 13.77 | 10.42 | 9.61 |

Net asset value represents total assets less total liabilities and non-controlling interests.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

For the full year ended 31 December 2019 ("FY2019"), the Group reported a 16.7% year-on-year ("yoy") decrease in revenue to US\$25.0 million. Gross profit decreased 40.4% yoy to US\$664,000, while gross profit margin decreased from 3.7% to 2.7%. The Group reported a net profit after tax of US\$54,000 in FY2019 as compared to a net loss after tax of US\$3.7 million in FY2018.

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

Revenue

The decrease in revenue of 16.7% was mainly due to weak economic situation in the global market in 2019.

Profitability

Gross profit margin decreased from 3.7% to 2.7% yoy in FY2019, and this was mainly attributed to the price pressure from the market in view of the unfavourable market conditions, as mentioned above.

Other Items of Income

- Interest income decreased by 11.7% yoy in FY2019 mainly due to the decrease in fixed deposit balance as part of the fixed deposit fund were used to invest in quoted investments in FY2019.
- Other income increased from US\$91,000 in FY2018 to US\$1.7 million in FY2019 mainly due to gain on disposal of quoted investment and increase in fair value of quoted investments.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (cont'd)**

Expenses

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

- Research and development ("R&D") expenses reported an increase of 8.6% yoy to US\$1.4 million in FY2019 (FY2018: US\$1.3 million). The increase was mainly due to the write-off of development costs.
- Marketing and distribution expenses increased by 14.8% yoy to US\$1.5 million in FY2019 (FY2018: US\$1.3 million). This was mainly due to the increased in marketing activities in FY2019.
- General administrative expenses decreased from US\$2.0 million in FY2018 to US\$1.2 million in FY2019 mainly due to lower professional and staff-related costs in FY2019.
- Other expenses was nil in FY2019 (FY2018: US\$830,000) as there were no foreign exchange loss and no loss in fair value of quoted investments in FY2019.
- Finance expenses was US\$10,000 in FY2019 (FY2018: Nil) and this was the recognition of lease interest on lease commitments in FY2019, as required under the new accounting standard, SFRS(I)16.

Net profit after tax attributable to owners of the Company

The Group reported a net profit attributable to owners of the Company of US\$52,000 in FY2019 (FY2018: loss of US\$3.7 million).

Other Financial Highlights

- **Property, plant and equipment** – The decrease in the Group's property, plant and equipment was mainly due to depreciation of US\$313,000 in FY2019. Purchases made for plant and equipment during the year was US\$266,000.
- **Intangible assets** – The decrease in Intangible assets in FY2019 was mainly due to the write-off of development costs and amortisation expenses. During the year, development costs written off amounted to US\$921,000 and amortisation expenses amounted to US\$36,000. This was partly offset by capitalization of patent and trademark registration expenses amounting to US\$223,000 incurred during the year. The Group continues to invest in research and development on the latest technology in the market.
- **Right-of-use assets** – These assets comprised of lease commitments entered into by the Group as required to be recognized for the adoption of SFRS(I)16. The leased assets was recognized only in FY2019 as required under the accounting standards.
- **Quoted investments** – The Group's investment in quoted investments in non-current asset decreased by US\$2.6 million to US\$7.9 million in FY2019 (FY2018: US\$10.6 million). This decrease was mainly due to the switch of investments from bonds to quoted funds that were held for trading and categorized in current assets. The total investment in quoted funds held for trading in current assets amounted to US\$16.3 million in FY2019 (FY2018: US\$5.8 million).

Total quoted investments in current and non-current assets in FY2019 amounted to US\$24.2 million, which was an increase of US\$7.8 million from FY2018 (US\$16.4 million). This increase was mainly due to additional quoted investments of US\$6.4 million and capital gain on these investments amounting to US\$1.4 million in FY2019

- **Unquoted investments** – The Group invested in unquoted investments of US\$4 million in non-current assets in FY2019 (FY2018: Nil) and in an unquoted fund that were held for trading in current assets, which amounted to US\$629,000 in FY2019 (FY2018: US\$618,000).
- **Inventories** – The Group's inventories amounted to US\$4.0 million as at 31 December 2019, an increase of US\$602,000 from US\$3.4 million in 31 December 2018. Inventory turnover days in FY2019 were 44 days (FY2018: 57 days).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (cont'd)

- **Trade and other receivables** – The Group's trade and other receivables amounted to US\$1.2 million as at 31 December 2019 as compared to US\$675,000 as at 31 December 2018. The increase was due to the increase in credit sales for new projects & customers. Trade receivable turnover days were 11 days in FY2019 (FY2018: 11 days).
- **Trade payables and accruals** – The Group's trade payables increased from US\$25,000 as at 31 December 2018 to US\$4.5 million as at 31 December 2019. This increase was mainly due to the credit terms provided by a major supplier for the Group's purchases.

Cashflow

The Group's cash and cash equivalent as at 31 December 2019 amounted to US\$16.7 million as compared to US\$25.7 million as at 31 December 2018, a decrease of US\$9.0 million. The decrease in the cash position in FY2019 was mainly due to the cash outflow from investing activities of US\$10.4 million (mainly in quoted & unquoted investments), repayment to minority shareholders of a subsidiary for reduction in share capital (US\$486,000), purchase of Company's treasury shares under share buyback mandate (US\$185,000) and payment of lease liability (US\$156,000). This was partly offset by the cash inflow from operating activities of US\$2.1 million.

The cash inflow from operating activities of US\$2.1 million in FY2019 arose mainly from the cash inflow from working capital of US\$3.3 million, corporate tax refund of US\$662,000 and interest income of US\$434,000. This was partly offset by the cash outflow from operations of US\$2.3 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not Applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group foresees the industry to remain challenging in the next 12 months due to the Coronavirus COVID-19 epidemic outbreak that has created uncertainty in the global market. In this difficult period, the Group will be selective in exercising priority on projects based on their profitability, and dealing with customers.

Despite these challenges, the management is committed to exploring strategic partnerships to ensure the long-term sustainability of the Group's operations and continuing to penetrate the Internet of Things ("IoT") market in consumer wearable, medical and cloud technologies. The Group also continues to invest in R&D to stay relevant and sustainable in the dynamic market.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial period? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/(recommended), a statement to that effect

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

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company does not have any general mandate from shareholders pursuant to Rule 920.

14. If the case of an announcement of interim financial statement (quarterly or half-yearly), the issuer's directors must confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading, in any material aspect. Please confirm that such a statement has been made.

Not applicable.

15. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7 under Rule 720(1)).

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

| | Customised Solutions | Interactive Consumer Solutions | Licensing | Adjustments | Note | Total |
|------------------------------------|-------------------------|--------------------------------------|-----------|-------------|------|----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | | US\$'000 |
| Year ended 31 December 2019 | | | | | | |
| Sales to external customers | 2,165 | 22,825 | 55 | – | | 25,045 |
| Inter-segment sales* | – | – | – | – | | – |
| Total revenue | 2,165 | 22,825 | 55 | – | | 25,045 |
| Results: | | | | | | |
| Depreciation and amortisation | 27 | 322 | – | – | | 349 |
| Writeback of doubtful debts, net | (2) | (24) | – | – | | (26) |
| Segment (loss)/profit | (154) | (1,622) | (4) | 1,007 | A | (773) |
| Additions to non-current assets | 23 | 466 | – | – | B | 489 |
| Segment assets | 2,078 | 21,360 | 633 | 28,867 | C | 52,938 |
| Segment liabilities | 576 | 5,920 | – | 692 | D | 7,188 |
| | Customised Solutions | Interactive Consumer Solutions | Licensing | Adjustments | Note | Total |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | | US\$'000 |
| Year ended 31 December 2018 | | | | | | |
| Sales to external customers | 2,904 | 27,132 | 44 | – | | 30,080 |
| Inter-segment sales* | – | – | – | – | | – |
| Total revenue | 2,904 | 27,132 | 44 | – | | 30,080 |
| Results: | | | | | | |
| Depreciation and amortisation | 24 | 773 | 1 | – | | 798 |
| Writeback of doubtful debts, net | (5) | (45) | – | – | | (50) |
| Segment (loss)/profit | (407) | (3,832) | (6) | 1,129 | A | (3,116) |
| Additions to non-current assets | 2 | 238 | – | – | B | 240 |
| Segment assets | 3,056 | 28,122 | 1,366 | 17,001 | C | 49,545 |
| Segment liabilities | 300 | 2,758 | – | 857 | D | 3,915 |

* - There were no inter-segment sales during the year.

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (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/(loss) to arrive at "Profit/(Loss) before income tax" presented in the consolidated income statement:

| | Group | |
|------------------|-----------------|-----------------|
| | 2019 | 2018 |
| | US\$'000 | US\$'000 |
| Interest income | 997 | 1,129 |
| Interest expense | (10) | – |
| | <u>987</u> | <u>1,129</u> |

- 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 balance sheet:

| | Group | |
|----------------------|-----------------|-----------------|
| | 2019 | 2018 |
| | US\$'000 | US\$'000 |
| Quoted investments | 24,233 | 16,383 |
| Unquoted investments | 4,634 | 618 |
| | <u>28,867</u> | <u>17,001</u> |

- D The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

| | Group | |
|--------------------|-----------------|-----------------|
| | 2019 | 2018 |
| | US\$'000 | US\$'000 |
| Income tax payable | 649 | 832 |
| Deferred taxation | 43 | 25 |
| | <u>692</u> | <u>857</u> |

Segment Results by Geographical Segment

Sales to external customers

| (US\$'000) | Revenue | | Non-current assets | |
|--------------------------|-----------------|-----------------|---------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| China/Hong Kong | 13,789 | 21,698 | 38 | 1 |
| Taiwan | 6,345 | 3,005 | – | – |
| India | 1,843 | 2,070 | 10 | 4 |
| Singapore | 1,210 | 1,359 | 2,067 | 2,671 |
| Indonesia | 954 | 1,173 | – | – |
| Malaysia | 621 | 651 | 8 | – |
| Europe | 3 | 3 | – | – |
| United States of America | 2 | 2 | – | – |
| Others | 278 | 119 | – | – |
| | <u>25,045</u> | <u>30,080</u> | <u>2,123</u> | <u>2,676</u> |

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

China/Hong Kong was the main contributor for the Group's revenue in FY2019, followed by Taiwan and India.

Revenue of US\$12.4 million was derived from 5 external customers (FY2018: US\$19.1 million from 5 external customers).

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Segmental Analysis – by Business Segments

By business segments, the core ICS division dominates as the key revenue generator accounting for 91.14% of its revenue. The Group's ICS solutions/products comprise Thumbdrive®, Flucard®, Security Solutions, WiFi Memory Modules for embedded devices continue to dominate as the main engine of growth for the ICS business segment.

Segmental Analysis – by Geography

In FY2019, the Group focused on key markets like China/Hong Kong and Taiwan. India, Singapore, Indonesia and Malaysia continued to be our secondary markets as we are still able to generate sufficient profit in these markets.

18. A breakdown of sales

| | | Group | | |
|-----|---|-----------------------|-------------------------|--------|
| | | US\$'000 | | % |
| | | Latest Full Year 2019 | Previous Full Year 2018 | Change |
| (a) | Sales reported for first half year | 7,676 | 22,218 | (65.5) |
| (b) | Operating profit reported for first half year | 122 | 693 | (82.4) |
| (c) | Sales reported for second half year | 17,369 | 7,862 | 120.9 |
| (d) | Operating profit/(loss) reported for second half year | (895) | (3,809) | (76.5) |

N.M. – not meaningful

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

| | Latest Full Year 2019 US\$ | Latest Full Year 2018 US\$ |
|--------------|-------------------------------|-------------------------------|
| Ordinary | – | – |
| Preference | – | – |
| Total | – | – |

20. Disclosure of person occupying a managerial position in the issues of any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying managerial position in the Company or its principal subsidiaries that are related to any director or chief executive officer or substantial shareholder of the Company except for the following:

| Name | Age | Family relationship with any director/or CEO and/or substantial shareholder | Current position and duties, and the year the position was first held | Details of changes in duties and position held, if any, during the year |
|----------------------|-----|---|--|--|
| Tan Henry @ Henn Tan | 64 | Father of Mr Tan Joon Yong Wayne | Majority Shareholders and, Chairman Emeritus and Consultant of the Company Duties: - To provide advisory services to the Company | Stepped down from Executive Chairman and CEO to Chairman Emeritus and Consultant in May 2018 |
| Tan Boon Tat | 62 | Uncle of Mr Tan Joon Yong Wayne and brother of Mr Tan Henry @ Henn Tan | Director of Trek Technology (Singapore) Pte Ltd (wholly-owned subsidiary of the Company) and Store Manager of the Company, since 31 October 1995. Duties : - To oversee the proper distribution of inventory for the Company and its subsidiaries ("the Group"); and - To ensure that goods and materials are delivered to the Group's customers in a timely and proper manner. | Nil |
| Tan Boon Siong | 57 | Uncle of Mr Tan Joon Yong Wayne and brother of Mr Tan Henry @ Henn Tan | Sales Manager in the company, since 10 April 2013. Duties: - To manage the sales and marketing in retail outlet in Singapore. | Nil |
| Tan Boon Liew | 55 | Uncle of Mr Tan Joon Yong Wayne and brother of Mr Tan Henry @ Henn Tan | Assistant Manager in the Company, since 15 July 1997. Duties: - To manage and oversee the despatch of goods to the Group's customers. | Nil |

* Tan Joon Yong Wayne is the Group President and Executive Director of Trek 2000 International Ltd.

BY ORDER OF THE BOARD

TAN JOON YONG WAYNE

Executive Director
28 February 2020