



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

**Proposed Acquisition of
20% Equity Interest in China Chips Star Semiconductors Co. Ltd.**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Trek 2000 International Ltd (the “**Company**” or together with its subsidiaries, the “**Group**”) wishes to announce that its wholly owned subsidiary, Trek Technology (Singapore) Pte. Ltd., would be entering into a Share Subscription Agreement (“**Share Subscription Agreement**”) with a newly start-up Corporation, **China Chips Star Semiconductors Co. Ltd.** (“**CCSS**” or “**Investee**”) (the “**Proposed Acquisition**”) to acquire a 20% equity investment or an aggregate of 2,750,000 ordinary shares in CCSS at a consideration of USD 1.6 million (“**Purchase Consideration**”) on the terms and conditions set out in the Share Subscription Agreement.

Upon the completion of the Proposed Acquisition (the “**Completion**”), the Group may nominate its representatives to be appointed as director representing no more than one third (1/3) of the board of directors of CCSS. As such, the Proposed Acquisition will be accounted as an investment in associate due to the Company’s influence on the financial and operating policy of CCSS.

2. INFORMATION ON INVESTEE

CCSS was founded in 2022 and headquartered in Shenzhen, China with branches in Hong Kong and Nanjing, China. It is in the business of providing a full range of high-end industrial storage solutions and enterprise-grade solutions. As part of its business, it conducts R&D, assembly, sales and servicing of its products. CCSS is in the same business as the Group but their presence is predominantly in China. The investment in CCSS allows the Group to increase its supply of solutions and presence in China, a lucrative market, which the Group has presence in.

CCSS’ customers are in the telecommunication and electronics industries in China. Their lists of customers include big corporations in these industries in China. In addition, CCSS works with other established companies in China for its R&D projects.

Despite its newly start-up status, CCSS has done well financially. In its latest audited report for financial year ended 31 December 2023, it recorded a Sales Revenue of USD 5.6 million, Operating Profit of USD 736,000 and Net Assets of USD 2 million. In its latest unaudited year-to-date financial results dated 31 July 2024, it achieved a Sales Revenue of USD 3.4 million, Operating Profit of USD 110,000 and Net Assets of USD 3.15 million.

3. PRINCIPLE TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

The Purchase Consideration for the Proposed Acquisition shall be US\$ 1.6 million payable in cash. The Purchase Consideration was agreed at upon arm’s length negotiation and on a

willing buyer and willing seller basis after taking into consideration the rationale and benefits of the Proposed Acquisition as set out in paragraph 3.3.

The Purchase Consideration for the 20% equity interest was arrived at and agreed with CCSS at a valuation of 2.5 times its current (July 2024) Net Assets Value of USD 3.15 million. No independent valuation was carried out for this investment as CCSS is a relatively new start-up and the 20% equity investment in CCSS is not significant and not considered a subsidiary of the Group.

3.2 Conditions Precedent

The Completion is subject to customary regulatory approval and consents. There are no other material conditions with Completion expected in December 2024.

3.3 Rationale and Benefits of the Proposed Acquisition

The Board of Director is of the view that the Proposed Acquisition is in the best interests of the Group and its shareholders of the Company. There is good synergy in business between both parties with CCSS having a good presence in China. This investment allows the Group to have a greater presence in the lucrative China market. Depending on the growth of CCSS, the Group's solutions will be made more readily available in China, especially to be used by the major customers of CCSS.

In addition, this investment will also enable both parties to collaborate on R&D, and allow the Group to capture the future potential of the Investee.

4. SOURCE OF FUND FOR THE PROPOSED ACQUISITION

The above investment will be funded by the Group's internal resources.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are prepared on a proforma basis on the audited consolidated full year financial statements ended 31 December 2023 ("FY2023").

For avoidance of doubt, the financial effects are purely for illustrative purposes only and are therefore not indicative of the actual future financial performance or position of the Group immediately after Completion.

(i) Earnings Per Share (EPS) as at 31 December 2023

For illustrative purposes only and assuming that the the Proposed Acquisition had been completed on 1 January 2023, the pro forma financial effects of the Proposed Acquisition on the EPS of the Group is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Earnings Attribution to Shareholders (US\$'000)	2,690	2,837
Number of issued ordinary shares, excluding treasury shares	313,091,925	313,091,925
EPS (US\$ cents)	0.86	0.91

(ii) Net Tangible Asset (NTA) Per Share as at 31 December 2023

For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 31 December 2023, the pro forma financial effects of the Proposed Acquisition on the NTA of the Group is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (US\$'000)	28,435	28,582
Number of issued ordinary shares, excluding treasury shares	313,091,925	313,091,925
NTA per share (US\$ cents)	9.08	9.13

6. RELATIVE FIGURES UNDER RULE 1006 OF SGX-ST LISTING MANUAL-MAINBOARD RULES

Based on the unaudited consolidated financial statements for Half Year ended 30 June 2024, the relative figures pursuant to Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not Applicable
(b)	Net profit ⁽ⁱ⁾ (US\$22,048) attributable to the assets acquired as compared with the Company's net profit of US\$221,000	10.0%
(c)	Aggregate value of the Consideration of S\$2,085,000 (US\$1,600,000) compared with the Company's market capitalisation ⁽ⁱⁱⁱ⁾ of S\$ 19,396,460	10.7%
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	Not Applicable

Notes:

- (i) Net profit/(loss) means the profit or loss before income tax, minority interests and extraordinary items. China Chips Star Semiconductor Co. Ltd. recorded a year-to-date net profit of US\$110,240 in their latest financial period dated 31 July 2024. The net profit attributable to the assets amounted to US\$22,048 (ie. 20% of US\$110,240).

- (ii) The Company's market capitalisation of S\$19,396,460 as at the above is determined by multiplying the issued share capital of the Company of 312,846,125 shares (excluding treasury shares and subsidiary holdings) with the volume weighted average price of such shares last transacted (8 October 2024) of S\$0.062 per share.
- (iii) As the relevant relative figures are above 5% but below 20%, pursuant to Rule 1010, the Proposed Acquisition would be considered a disclosable transaction and SGX announcement is required.

Based on the guidance provided in Practice Note 10.1 paragraph 2.5 of the Listing Manual, the Board is of the view that the Proposed Acquisition does not change the risk profile of the Group. For avoidance of doubt, CCSS is profitable and is in a net asset position. The Proposed Acquisition will not have an effect on the Group's gearing position as the Proposed Acquisition will be funded by internal resources and the Group does not expand to new jurisdictions nor expose to significant new risks with this investment, as China is already the Group's existing major market.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their respective interests arising by way of their shareholdings and/or directorships in the Company, none of the Directors, controlling shareholders of the Company or their associates have any interest, direct or indirect, in the Proposed Acquisition.

8. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Share Subscription Agreement is available for inspection during normal business hours for a period of three (3) months commencing from the date of this announcement at the registered office of the Company at 30 Loyang Way #07-13/14/15 Loyang Industrial Estate Singapore 508769.

10. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Company will make the necessary announcements when there are further developments. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

BY ORDER OF THE BOARD

Tan Joon Yong Wayne
Executive Chairman

9 October 2024