

TREK 2000 INTERNATIONAL LTD

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

- (1) **PROPOSED ISSUE OF NEW SHARES BY RACER, A PRINCIPAL SUBSIDIARY; AND**
 - (2) **OPTION TO SUBSCRIBE FOR NEW SHARES IN RACER.**
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1. **Introduction**

- 1.1. The board of directors ("**Board**") of Trek 2000 International Ltd (the "**Company**") wishes to announce that Racer Technology Pte Ltd ("**Racer**"), a principal subsidiary of the Company, intends to issue 6,000,000 new shares in its capital to Mr. Willy Koh, an executive director, the CEO, and a shareholder of Racer (the "**Proposed Issue**").
- 1.2. The Proposed Issue follows a capital call made by Racer to the Company and its other shareholders (collectively, "**Racer's Shareholders**") to raise funds for business expansion and capital expenditure purposes ("**Capital Call**"). For the reasons set out in paragraph 3 below, the Company intends to defer its participation in the Capital Call, and procure an option to allow the Company a two (2) year period to participate in the Capital Call (the "**Option**").
- 1.3. Further information on the Proposed Issue and the Option is set out below.

2. **Information on Racer**

- 2.1. Racer and its subsidiaries (collectively, the "**Racer Group**") are principally engaged in the manufacture of plastic products for consumer, industrial and commercial applications. Racer's subsidiaries comprise: (i) Racer Technology Sdn Bhd; and (ii) PT Racer Technology Batam.
- 2.2. The Company (together with its subsidiaries, the "**Group**") holds 1,900,000 shares in the capital of Racer ("**Racer Shares**"), representing 47.5% of the entire issued and paid-up share capital of Racer as at the date of this announcement. The remaining 52.5% equity interest in Racer is held by four (4) individuals, majority of whom are senior management of the Racer Group. The names of these individuals, and their respective equity interests in Racer, both before and after the completion of the Proposed Issue, are set out in paragraph 4.3 of this announcement.
- 2.3. The Company considers Racer as a subsidiary, notwithstanding that it holds less than 50.0% of the entire issued and paid-up share capital of Racer, as it is able to govern the financial and operating policies of Racer, and is entitled to control the composition of the board of directors of Racer ("**Racer's Board**"). Pursuant to a shareholders' agreement dated 1 September 2009 between majority of Racer Shareholders¹ (the "**Racer SHA**"), the majority of Racer's Board shall be constituted by representatives of the Company unless agreed otherwise.

3. **Rationale**

- 3.1. The Company intends to conserve and/or deploy its cash reserves towards its core technology business, so as to facilitate *inter alia* the Group's on-going organic growth. Taking into account the above, and the uncertainties associated with Racer's business expansion

¹ Hsu Shen Kuo, a minority shareholder holding a 2.5% equity interest in Racer, is not a party to the Racer SHA.

and capital expenditure plans, the Company does not presently intend to deploy its cash reserves towards the Capital Call.

- 3.2. The Company may, however, after conducting further reviews of *inter alia* the business, financial position and prospects of Racer, increase its investment in Racer to improve returns and/or explore other potential synergies or economies of scale.

4. **Proposed Issue**

- 4.1. The issue price for each new Racer Share ("**New Racer Share**") to be issued to Mr. Willy Koh under the Proposed Issue is proposed to be S\$1.20 (the "**Issue Price**"). The Issue Price was arrived at on a willing-buyer, willing-seller basis amongst Racer's Shareholders, taking into account factors such as the net tangible asset ("**NTA**") value of Racer as at 31 December 2014, the immediate capital needs of Racer, and the availability of funding from Racer's Shareholders.

- 4.2. The Proposed Issue is intended to raise gross proceeds of S\$7.2 million for Racer for business expansion and capital expenditure purposes.

- 4.3. The shareholding interests of Racer's Shareholders before and after the Proposed Issue, are as follows:

	<u>Before (%)</u>	<u>After (%)</u>
Company	47.5	19.0
Willy Koh	42.0	76.8
Lee Chia Ta	5.0	2.0
Lee Bong Chong	3.0	1.2
Hsu Shen Kuo	2.5	1.0
Total:	100.0	100.0

5. **Proposed Grant**

- 5.1. The Proposed Issue, if completed, reduces the Company's equity interest in Racer to 19.0% (from 47.5%).

- 5.2. It is therefore proposed that the Option be granted to the Company ("**Proposed Grant**"). The Option, if granted and exercised to the fullest extent, allows the Company to subscribe for, and receive, such number of New Racer Shares to regain a 47.5% equity interest in Racer.

- 5.3. The exercise price for each New Racer Share (the "**Option Exercise Price**") is fixed at the same price as the Issue Price (i.e. S\$1.20). The Option Exercise Price shall be adjusted following a variation in the issued share capital of Racer (in the event of a rights issue or subdivision or consolidation of shares) to preserve as closely as reasonably possible the economic result for the Company.

- 5.4. Based on Racer's share capital of 10,000,000 Racer Shares following the completion of the Proposed Issue, the Company would be required to subscribe for 5,430,000 New Racer Shares to regain a 47.5% equity interest in Racer. The aggregate amount payable in cash by the Company for the exercise is approximately S\$6,516,000.

- 5.5. Racer has on 10 April 2015 provided an undertaking ("**Option Undertaking**") to grant the Option to the Company upon approval being obtained from shareholders of the Company ("**Shareholders**") for the same (if required under the Listing Manual). The undertaking will lapse if Shareholders' approval for the Proposed Grant is not obtained by 31 December 2015.

6. Financial Highlights and Effects

The *pro forma* financial effects presented below are only presented for **illustrative purposes**, and are not intended to reflect the actual future financial situation of the Company and/or the Group after completion of the Proposed Issue and/or the exercise of the Option (to the fullest extent). Transaction costs are ignored for computation purposes.

6.1. The Proposed Issue, if completed, will result in a dilution of the Company's equity interest in Racer from 47.5% to 19.0%. Notwithstanding this, the Company considers Racer as a subsidiary as it continues to be able to govern the financial and operating policies of Racer, and is entitled to control the composition of Racer's Board.

6.2. Proposed Issue

The *pro forma* financial effects of the Proposed Issue, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 ("FY2014"), are set out below.

6.2.1. NTA

Assuming that the Proposed Issue was completed on 31 December 2014, the effect on the NTA per share of the Group would be as follows:

	<u>Before</u>	<u>After</u>
NTA attributable to shareholders as at 31 December 2014 (US\$'000)	31,412	28,563
Number of issued shares (excluding treasury shares) ('000)	297,117	297,117
NTA per share (US\$ cents)	0.106	0.096

6.2.2. EPS

Assuming that the Proposed Issue was completed on 1 January 2014, the effect on the earnings per share ("**EPS**") of the Group would be as follows:

	<u>Before</u>	<u>After</u>
Profit attributable to shareholders (US\$'000)	2,545	2,053
Number of issued shares (excluding treasury shares) ('000)	297,117	297,117
EPS (US\$ cents)	0.0086	0.0069

6.3. Proposed Grant and exercise of Option (to the fullest extent)

Assuming that:

- (i) the Proposed Issue was completed on 31 December 2014; and
- (ii) the Option was granted and exercised to the fullest extent on 31 December 2014;

the Company's equity interest in Racer remains at 47.5%, and the completion of the Proposed Issue and Proposed Grant (and exercise of Option to the fullest extent) is not envisaged to have a material impact on (a) the NTA per share and (b) the EPS of the Group based on the audited consolidated financial statements of the Group for FY2014.

- 6.4. As at 31 December 2014, based on the audited consolidated financial statements of the Group for FY2014, the book value and NTA value of the Company's 47.5% equity interest in Racer was approximately US\$51,500,678 and US\$16,039,064 respectively.
- 6.5. Net profits attributable to the Company's 47.5% equity interest in Racer, based on the audited consolidated financial statements of the Group for FY2014, is approximately US\$1,737,994.

7. **Principal Subsidiary**

- 7.1. Racer is regarded as a "principal subsidiary" based on the definition of that term in the Listing Manual.
- 7.2. The Proposed Issue, if completed, will result in a percentage reduction of 20% or more of the Company's equity interest in Racer. The Company intends to consult the SGX-ST on the application of Rule 805(2) of the Listing Manual.

8. **Chapter 10 of the Listing Manual**

8.1. **Relative Figures Pursuant to Rule 1006 of the Listing Manual**

The relative figures in respect of the exercise of the Option (to the fullest extent), as computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced audited consolidated financial statements of the Group for the FY2014, are as follows:

	<u>Bases of calculation</u>	<u>Size of relative figures (%)</u>
(i)	Net Asset Value (" NAV ")	Not applicable.
(ii)	Net Profits ⁽¹⁾	16.25 ⁽²⁾
(iii)	Market Capitalisation ⁽³⁾	5.41 ⁽⁴⁾
(iv)	Equity Securities	Not applicable.
(v)	Reserves	Not applicable.

Notes:

1. "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
2. Assets to be acquired comprise 5,430,000 New Racer Shares, representing approximately 28.5% of the enlarged issued share capital of Racer following the completion of the Proposed Issue. Based on the audited consolidated financial statements of the Group for FY2014, net profits attributable to the assets acquired is approximately US\$495,328, compared with the Group's net profits of approximately US\$ 3,047,895.
3. The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 297,116,925 (excluding treasury shares) by S\$0.371, being the weighted average share

price of the Company's shares on 9 April 2015, the market day preceding the date of the Option Undertaking.

4. Pursuant to Rule 1003(1) of the Listing Manual, the value of unlisted shares will be assessed by reference to the net asset value represented by such unlisted shares. Based on the audited consolidated financial statements of the Group for FY2014, the NAV attributable to a 28.5% equity interest in Racer is US\$4,571,133, compared with the market capitalisation of the Company on 9 April 2015 of US\$84,546,701.
- 8.2. As reflected in the table above, none of the relative figures exceeds 20%. The Company intends to consult the SGX-ST on whether shareholders' approval is required pursuant to Rule 1019 of the Listing Manual.
- 8.3. Shareholders and potential investors should note that there is no certainty or assurance, as at the date hereof, whether the Option will, if granted, be exercised, in whole or in part.

9. **Service Agreements**

No person will be appointed to the Board in connection with (i) the Proposed Issue; and (ii) the Proposed Grant, and no service contracts in relation thereto will be entered into by the Company.

10. **Interests of Directors and Controlling Shareholders**

None of the directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in: (i) the Proposed Issue; and (ii) the Proposed Grant, other than through their respective directorships and/or shareholdings in the Company.

11. **Documents for Inspection**

A copy of the Option Undertaking (with the Option annexed) is available for inspection during normal business hours from 9 a.m. to 5 p.m. at 30 Loyang Way, #07-13/14/15, Loyang Industrial Estate, Singapore 508769 for a period of three (3) months from the date of this announcement.

12. **Further Announcements**

The Company will make further announcements as and when there are material developments on (i) the Proposed Issue; and (ii) the Proposed Grant.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and exercise caution when dealing in the Company's shares, as there is no certainty or assurance, as at the date hereof, as to whether (i) the Proposed Issue; and/or (ii) the Proposed Grant will proceed.

By Order of the Board

Henn Tan
Chairman, Chief Executive Officer and Executive Director

10 April 2015