

TREK 2000 INTERNATIONAL LTD

(the “**Company**”)

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905744N)

(A) DISPOSAL OF 19% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF RACER TECHNOLOGY PTE LTD

(B) APPLICATION FOR WAIVER IN RELATION TO AN UNDERTAKING GIVEN BY THE COMPANY IN RESPECT OF A WAIVER OF RULE 805(2)(b) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”) IN RELATION TO THE ISSUE OF NEW SHARES BY RACER TECHNOLOGY PTE LTD (THE “WAIVER APPLICATION”)

1. INTRODUCTION

The board of directors (the “**Board**”) of Trek 2000 International Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 13 March 2017 entered into a sale and purchase agreement (“**SPA**”) with Mr. Koh Kee Joo Willy (the “**Purchaser**”) in respect of the Company’s sale of its 19% interest in Racer Technology Pte Ltd (the “**Target**”), a subsidiary of the Company, to the Purchaser (the “**Disposal**”).

As the relative figures computed under Rules 1006(a) and 1006(c) of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited exceed 5% but have not exceeded 20%, the Disposal constitutes a “discloseable transaction” to which Rule 1010 (read with Rule 1006) of the Listing Manual applies. Please see paragraph 8 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual.

As the Disposal involves the disposal by the Company of its entire interest in the Target, the Target has ceased to be a subsidiary of the Company following the completion of the Disposal (“**Completion**”). As such, this announcement is also made pursuant to Rule 704(18)(c) of the Listing Manual.

2. WAIVER APPLICATION

The Board also refers to the Company’s announcements dated 10 April 2015, 4 November 2015 and 23 December 2015 relating to the Proposed Issue (as defined herein) (the “**Announcements**”). Capitalised terms used but not defined herein shall have the definitions ascribed to them in the Announcements

On 10 April 2015, the Company announced that the Target intended to issue 6,000,000 new shares in its capital to the Purchaser. (the “**Proposed Issue**”).

The Proposed Issue followed a capital call made by the Target to the Company and the Target’s other shareholders to raise funds for business expansion and capital expenditure purposes (the “**Capital Call**”). The Company intended 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**”). The Company subsequently consulted the SGX-ST on, *inter alia*,

the application of Rule 805(2)(b) of the Listing Manual in relation to the Proposed Issue and the Option respectively as to whether Shareholders' approval was required.

Subsequently, the Company announced on 4 November 2015 that the SGX-ST had on 3 November 2015 advised that the SGX-ST had no objection to the Company's application for a waiver with regard to compliance with Rule 805(2)(b) of the Listing Manual (the "**Waiver**"), subject to the following conditions:

- (a) The Company announcing the Waiver, the reasons for seeking the Waiver, and the conditions as required under Rule 107 of the Listing Manual;
- (b) Submission of a written confirmation from the Company that the Waiver does not contravene any rules and regulations governing the Company and the articles of association of the Company; and
- (c) Submission of a written undertaking from the Company (the "**Undertaking**") whereby:
 - (i) the Board shall, no later than six (6) months prior to the expiry of the Option (which has a 2-year exercise period), review and consider if it is in the interests of the Group to exercise the Option to the fullest extent; and
 - (ii) if the Board resolves that it is not in the interests of the Group to exercise the Option to the fullest extent, the Company shall carry out and/or do all things necessary to obtain Shareholders' approval for the non-exercise of the Option, with a view to ensuring that Shareholders' approval is obtained as soon as reasonably practicable on or before the expiry of the Option.

As the Company no longer holds any interest in the Target following the Completion, the objective of the Option, which is to allow the Company to reinstate its original interest in the Target prior to the Proposed Issue, will not be realised. The Company will thus be seeking a waiver from the SGX-ST of the Company's obligations to obtain Shareholders' approval for the non-exercise of the Option under the Undertaking.

The Company will update the Shareholders in respect of the Waiver Application and will make further announcement(s) as and when there are material developments.

3. INFORMATION ON THE PURCHASER AND THE TARGET

The Purchaser

The Purchaser is a shareholder, director and the chief executive officer ("**CEO**") of the Target.

The Target

The Target is a company incorporated in Singapore on 2 December 1988 with an entire issued and paid-up capital of S\$11,200,000 consisting of 10,000,000 shares. The Target and its subsidiaries are principally engaged in the manufacture of plastic products for consumer, industrial and commercial applications.

The Target has the following subsidiaries:

- (a) Racer Technology Sdn Bhd, a company incorporated in Malaysia; and

(b) PT Racer Technology Batam, a company incorporated in Indonesia.

The Company holds 1,900,000 shares in the capital of the Target (the “**Sale Shares**”), representing 19% of the entire issued and paid-up share capital of the Target as at the date of this announcement.

The Company considers the Target as a subsidiary, notwithstanding that it holds less than 50.0% of the entire issued and paid-up share capital of the Target, as it is able to govern the financial and operating policies of the Target, and is entitled to control the composition of the board of directors of the Target.

4. RATIONALE AND USE OF PROCEEDS

The Company intends to focus on its core electronics and technology business, which involves on-going organic growth and capital expenditure, as well as the pursuit of favourable collaborations and/or acquisition opportunities as and when such opportunities present themselves.

The Target’s principal business (i.e. manufacturing of plastic products and components) does not form part of, and is independently operated from, the core electronics and technology business of the Group. The Group’s core business is not materially dependent on the Target for plastic design, prototyping and manufacturing services, as the Group has access to various other service providers in the Asia Pacific region.

The proceeds from the Disposal represent cash resources that may be used to capitalise on business opportunities and further growth to enhance value for shareholders in the long term.

5. PRINCIPAL TERMS

5.1 SPA

The Company has, subject to the terms and conditions of the SPA, agreed to sell and the Purchaser has agreed to purchase the Sale Shares.

5.2 Consideration

The aggregate consideration payable by the Purchaser to the Company for the Sale Shares is S\$3,000,000 (the “**Consideration**”) in cash. The Consideration was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms and after taking into consideration the valuation of the Target based on the valuation report dated 7 March 2017 issued by Foo Kon Tan Corporate Finance Pte Ltd (the “**Valuation Report**”).

Subsequent to Completion, the Consideration shall be payable by the Purchaser to the Company within three business days of the date of Completion.

5.3 Conditions Precedent

There are no conditions precedent to Completion under the SPA.

5.4 Completion

Completion has taken place upon signing of the SPA on 13 March 2017. With the Completion, the Target has ceased to be a subsidiary of the Company.

5.5 Representations and Warranties

The SPA contains such further representations and warranties from each of the Company and the Purchaser as are customary for transactions of a similar nature.

6. VALUE OF THE SALE SHARES

6.1 Book Value, Net Asset Value and Open Market Value

Based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 September 2016 ("**3Q2016**"), the book value and the net tangible asset value of the Sale Shares was US\$2,935,000 and US\$2,931,000 respectively. There is no open market value for the Sale Shares as they are not publicly traded.

Foo Kon Tan Corporate Finance Pte Ltd (the "**Valuer**") has been appointed by the Company as the independent valuer to prepare the Valuation Report. The Valuer, in its Valuation Report dated 7 March 2017, stated that the fair value of the Sale Shares ranges from S\$2,076,000 (based on the CFME Method as defined below) to S\$3,355,000 (based on the Asset-accumulation Method as defined below). The Valuer had conducted its valuation based on a market-based approach, specifically the Capitalisation of Future Maintainable Earnings method (the "**CFME Method**") as the primary valuation approach and an asset-based approach, specifically the asset accumulation method (the "**Asset-accumulation Method**"), as the alternative approach.

Based on the Consideration of S\$3,000,000 (US\$2,199,000 based on an exchange rate of US\$0.733 / S\$1) and the book value of the Sale Shares of US\$2,935,000, the Disposal is expected to result in a deficit over the book value of US\$736,000.

6.2 Net Profit

Based on the latest unaudited consolidated financial statements of the Group for 3Q2016, the net profit before tax attributable to the Sale Shares was US\$119,000.

6.3 Loss on Disposal

Based on the latest unaudited consolidated financial statements of the Group for 3Q2016, the Disposal is expected to result in a loss on disposal of US\$736,000 to the Group.

7. FINANCIAL EFFECTS

7.1 Assumptions

The pro forma financial effects of the Disposal on the Group have been prepared based on the figures derived from the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2015 (“FY2015”)¹, and are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following the completion of the Disposal.

7.2 Net Tangible Assets

For illustrative purposes and assuming the Disposal had been completed on 31 December 2015, the pro forma financial effects on the consolidated net tangible assets (“NTA”) for FY2015 are as follows:

	Before the Disposal	After the Disposal
NTA (US\$'000)	30,659	29,776
Number of shares ('000)	324,117	324,117
NTA per share (US\$)	0.095	0.092

7.3 Earnings

For illustrative purposes and assuming the Disposal had been completed on 1 January 2015, the pro forma financial effects on the loss per share of the Group for FY2015 are as follows:

	Before the Disposal		After the Disposal	
	Based on 19% of the net asset value of the Target ⁽¹⁾	Based on 47.5% of the net asset value of the Target ⁽¹⁾	Based on 19% of the net asset value of the Target ⁽¹⁾	Based on 47.5% of the net asset value of the Target ⁽¹⁾
Net loss attributable to shareholders after tax (US\$'000)	6,784	6,784	6,233	8,920
Weighted average number of shares ('000)	308,937	308,937	308,937	308,937
Loss per share (US\$)	0.022	0.022	0.020	0.029

Note:

- (1) The Company held a 47.5% equity interest in the Target as at 1 January 2015, and this interest was subsequently diluted to a 19% equity interest as announced by the Company on 23 December 2015. Calculations of the net loss attributable to shareholders after tax, and the loss per share, have thus been provided based on (a) 47.5% of the net asset value of the Target as at 1 January 2015, as well as (b) 19% of the net asset value of the Target as at 1 January 2015 so as to keep shareholders fully informed.

¹ The latest audited consolidated financial statements of the Group for FY2015 have been used for the purposes of calculating the figures in Paragraph 7 as the Company has not announced its financial statements for the financial year ended 31 December 2016 (“FY2016”). The Company has announced on 25 February 2017 that it is seeking an extension of time to 31 March 2017 to announce its FY2016 financial statements.

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN CHAPTER 10 OF THE LISTING MANUAL

8.1 Discloseable Transaction

Based on the latest unaudited consolidated financial statements of the Group for 3Q2016, the relative figures for the Disposal computed on the bases set out in Rule 1006 (“**Rule 1006**”) of the Listing Manual are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the Sale Shares to be disposed of, compared with the Group’s net asset value	7.3 ⁽¹⁾
(b)	Net profit attributable to the Sale Shares disposed of, compared with the Group’s net profit before tax	2.9 ⁽²⁾
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalization based on the total number of issued shares excluding treasury shares	5.4 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
(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 and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Sale Shares of US\$2,935,000 as compared with the net asset value of the Group of US\$40,011,000.
- (2) Based on the net profit before tax of the Sale Shares disposed of pursuant to the Disposal of US\$119,000 and the net profit before tax of the Group for the nine months ended 30 September 2016 of US\$4,075,000.
- (3) Based on the Consideration and the issued share capital of the Company of 324,117,000 ordinary shares in the capital of the Company (“**Shares**”) and the volume weighted average price of S\$0.172 as at 20 April 2016 (being the last full market day for which the Shares were traded prior to the trading halt announced by the Company on 21 April 2016 which was subsequently converted in a voluntary suspension of trading on 26 April 2016) and based on an exchange rate of US\$0.733 / S\$1.
- (4) Not applicable as the Disposal pertains to a disposal of assets.
- (5) Not applicable as the Disposal is not a disposal of mineral, oil or gas assets.

As the relative figures on the bases set out in Rules 1006(a) and 1006(c) exceed 5% but have not exceeded 20%, the Disposal constitutes a “discloseable transaction” to which Rule 1010 (read with Rule 1006) of the Listing Manual applies.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or shareholders of the Company (other than in their capacity as directors or Shareholders of the Company) has any interest, direct or indirect, in the Disposal.

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

10. DOCUMENTS FOR INSPECTION

Copies of the SPA and the Valuation Report are available for inspection during normal business hours at the registered office of the Company for a period commencing three (3) months from the date of this announcement.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

BY ORDER OF THE BOARD

Dr. Long Ming Fai Edwin
Executive Director and Deputy Chief Executive Officer

13 March 2017