



**TREK 2000 INTERNATIONAL LTD** (Registration Number 199905744N)

**First Quarter of FY 2005 Financial Statement**

**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 FIRST QUARTER ENDED 31 MARCH 2005**

The Board of Directors announces the results of the Group for the First Quarter ended 31 March 2005. These figures have not been audited.

	1 <sup>st</sup> Qtr 2005	1 <sup>st</sup> Qtr 2004 (Restated)	Increase/(decrease)
	\$'000	\$'000	%
<b>Revenue</b>	41,360	32,863	25.86
Cost of goods sold	(38,643)	(29,092)	32.83
<b>Gross profit</b>	<u>2,717</u>	<u>3,771</u>	(27.95)
Research and development expenses	(547)	(471)	16.14
Marketing and distribution expenses	(733)	(856)	(14.37)
General administration expenses	(539)	(545)	(1.1)
Other operating expenses	(239)	(73)	227.40
<b>Operating profit</b>	<u>659</u>	<u>1,826</u>	(64.07)
Interest expense – hire purchase	(1)	(1)	n.m.
Share of losses of associated companies	(4)	(124)	96.77
Exceptional item	-	(713)	n.m.
<b>Profit before income tax</b>	<u>654</u>	<u>988</u>	(34.34)
Income tax	(1)	(2)	n.m.
<b>Profit for the financial period attributable to shareholders</b>	<u><b>653</b></u>	<u><b>986</b></u>	<b>(34.31)</b>

**Profit before income tax is stated after (charging)/crediting the following:**

	1 <sup>st</sup> Qtr 2005	1 <sup>st</sup> Qtr 2004 (Restated)	Increase/(decrease)
	\$'000	\$'000	%
Licensing/royalty income	206	211	(2.37)
Interest income - Fixed deposits	195	28	596.43
Depreciation of fixed assets	(235)	(108)	117.59
Amortisation of intangibles	(348)	(375)	(7.2)
Foreign exchange loss	(655)	(372)	76.08
Exceptional item - Legal costs for ongoing litigations over IP protection.	-	(713)	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 SHEET as at	GROUP		COMPANY	
	31 Mar 2005 S\$'000	31 Dec 2004 (Restated) S\$'000	31 Mar 2005 S\$'000	31 Dec 2004 (Restated) S\$'000
<b>Fixed assets</b>	3,336	3,571	10	20
<b>Intangible assets</b>	8,950	8,818	5,010	4,958
<b>Investments</b>				
Subsidiary companies	-	-	6,014	6,014
Associated companies	6,529	6,533	6,655	6,655
Quoted investments	2,219	2,419	2,219	2,419
Unquoted investments	168	168	168	168
	8,916	9,120	15,056	15,256
<b>Current assets</b>				
Trade Debtors	35,612	19,963	-	-
Inventories	6,923	6,587	-	-
Amounts due from subsidiary companies	-	-	11,028	11,277
Amounts due from associated companies	69	69	-	-
Other debtors	2,276	2,001	910	611
Fixed deposits	24,507	27,238	23,454	23,548
Cash and bank balances	8,096	12,714	1,138	1,393
	77,483	68,572	36,530	36,829
<b>Current liabilities</b>				
Trade creditors & accruals	23,752	15,692	473	408
Other creditors	736	906	261	-
Hire purchase creditors	22	22	-	-
Provision for income tax	313	311	55	55
	24,823	16,931	789	463
<b>Net current assets</b>	52,660	51,641	35,741	36,366
<b>Non-current liabilities</b>				
Hire purchase creditors	20	25	-	-
<b>Net assets</b>	<b>73,842</b>	<b>73,125</b>	<b>55,817</b>	<b>56,600</b>
<b>Share capital</b>	15,122	15,121	15,122	15,121
<b>Share premium</b>	36,877	36,868	36,877	36,868
<b>Other reserves</b>	187	395	187	395
<b>Revaluation reserve</b>	141	141	-	-
<b>Revenue reserve</b>	18,762	18,109	3,631	4,216
<b>Capital reserve</b>	4,543	4,543	-	-
<b>Translation reserve</b>	(1,790)	(2,052)	-	-
	<b>73,842</b>	<b>73,125</b>	<b>55,817</b>	<b>56,600</b>

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 March 2005 \$'000		As at 31 December 2004 \$'000	
Secured	Unsecured	Secured	Unsecured
22	-	22	-

**Amount repayable after one year**

As at 31 March 2005 \$'000		As at 31 December 2004 \$'000	
Secured	Unsecured	Secured	Unsecured
20	-	25	-

**Details of any collateral**

The Group's motor vehicles at net book value of S\$61,169 (2004: S\$72,872) are pledged as collaterals to the hire purchase creditors.

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 3 months period ended 31 March**

<b>Cash flow from operating activities:-</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
		(Restated)
Operating profit before income tax	654	988
Adjustments for:-		
Amortisation of intangible assets	348	375
Depreciation of fixed assets	235	108
Share of losses of associated companies	4	124
Share-based payment expenses	(8)	49
Interest income	(195)	(28)
Interest expense	1	1
Translation difference arising on consolidation	275	341
<b>Operating profit before reinvestment in working capital</b>	<b>1,314</b>	<b>1,958</b>
(Increase)/decrease in debtors	(15,924)	7,465
Increase in inventories	(336)	(16,901)
Decrease/(increase) in creditors	7,890	(1,434)
<b>Cash used in operating activities</b>	<b>(7,056)</b>	<b>(8,912)</b>
Income tax paid	(1)	(13)
Interest received	195	28
Interest paid	(1)	(1)
<b>Net cash used in operating activities</b>	<b>(6,863)</b>	<b>(8,898)</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(11)	(1)
Payment for patent & trademark registration expenses	(322)	(618)
Payment for development expenditures	(158)	(299)
<b>Net cash used in investing activities</b>	<b>(491)</b>	<b>(918)</b>
<b>Cash flow from financing activities</b>		
Exercise of share options	10	-
Repayment of hire purchase instalments	(5)	(5)
Decrease in amounts due from associated companies	-	(17)
<b>Net cash provided/(used in) by financing activities</b>	<b>5</b>	<b>(22)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,349)</b>	<b>(9,838)</b>
Cash and cash equivalents as beginning of period	39,952	24,722
Foreign exchange difference	(384)	(314)
<b>Cash and cash equivalents at end of period</b>	<b>32,219</b>	<b>14,570</b>

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

	31 Mar 2005	31 Mar 2004
	\$'000	\$'000
Cash and Bank Balances	8,096	10,854
Fixed Deposits	24,507	4,030
Effect of foreign exchange difference	(384)	(314)
	<b>32,219</b>	<b>14,570</b>

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**STATEMENT OF CHANGES IN EQUITY for the period ended 31 March 2004**

	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation Reserve	Revenue Reserve	Other Reserves	Revalua- tion reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>THE GROUP</b>								
Balance at 1 January 2004								
As previously Reported	12,464	6,952	4,543	(1,088)	19,401	-	-	42,272
Changes in accounting policies FRS 102	-	-	-	-	(197)	197	-	-
As restated	12,464	6,952	4,543	(1,088)	19,204	197	-	42,272
Foreign currency translation differences	-	-	-	341	-	-	-	341
Cost of share-based payments	-	-	-	-	-	49	-	49
Results for the 3 months period	-	-	-	-	986	-	-	986
<b>Balance at 31 March 2004</b>	<b>12,464</b>	<b>6,952</b>	<b>4,543</b>	<b>(747)</b>	<b>20,190</b>	<b>246</b>	<b>-</b>	<b>43,648</b>
Balance at 1 January 2005								
As previously reported	15,121	36,868	4,543	(2,052)	18,455	-	141	73,076
Changes in Accounting polices								
- FRS 39	-	-	-	-	-	(200)	-	(200)
- FRS 102 & 103	-	-	-	-	(346)	395	-	49
As restated	15,121	36,868	4,543	(2,052)	18,109	195	141	72,925
Employees' share options	1	9	-	-	-	-	-	10
Foreign currency translation differences	-	-	-	262	-	-	-	262
Cost of share-based payments	-	-	-	-	-	(8)	-	(8)
Results for the 3 months period	-	-	-	-	653	-	-	653
<b>Balance at 31 March 2005</b>	<b>15,122</b>	<b>36,877</b>	<b>4,543</b>	<b>(1,790)</b>	<b>18,762</b>	<b>187</b>	<b>141</b>	<b>73,842</b>

	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation Reserve	Revenue Reserve	Other Reserves	Revalua- tion reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>THE COMPANY</b>								
Balance at 1 January 2004								
As previously reported	12,464	6,952	-	-	4,892	-	-	24,308
Changes in accounting policy FRS 102	-	-	-	-	(197)	197	-	-
As restated	12,464	6,952	-	-	4,695	197	-	24,308
Cost of share-based payments	-	-	-	-	-	49	-	49
Results for the 3 months period	-	-	-	-	(623)	-	-	(623)
<b>Balance at 31 March 2004</b>	<b>12,464</b>	<b>6,952</b>	<b>-</b>	<b>-</b>	<b>4,072</b>	<b>246</b>	<b>-</b>	<b>23,734</b>
Balance at 1 January 2005								
As previously reported	15,121	36,868	-	-	4,611	-	-	56,600
Changes in accounting polices								
- FRS 39	-	-	-	-	-	(200)	-	(200)
- FRS 102	-	-	-	-	(395)	395	-	-
As restated	15,121	36,868	-	-	4,216	195	-	56,400
Employees' share options	1	9	-	-	-	-	-	10
Results for the 3 months period	-	-	-	-	(585)	-	-	(585)
Cost of share-based payments	-	-	-	-	-	(8)	-	(8)
<b>Balance at 31 March 2005</b>	<b>15,122</b>	<b>36,877</b>	<b>-</b>	<b>-</b>	<b>3,631</b>	<b>187</b>	<b>-</b>	<b>55,817</b>

**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**

During the period under review, the Company issued 33,000 ordinary shares of S\$0.05 each arising from the exercise of share options for cash which is in compliance with the terms of the Trek 2000 International Ltd Share Option Scheme approved by the share holders at the Extraordinary General Meeting held on 8 November 2001.

The Company has unexercised share options of 12,255,000 (31 December 2004: 13,240,500) for unissued ordinary shares of \$0.05 each as at 31 March 2005.

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

The above figures have not been audited or reviewed by its auditors, Messrs Ernst & Young.

**3. Where 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**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2004 except for the adoption of the following new Financial Reports standards ("FRS") that are mandatory for the financial years beginning on or after 1 January 2005:

- FRS 39 : Financial instruments: recognition and measurement
- FRS 102 : Share-based payment
- FRS 103 : Business Combinations

The impact of the changes in accounting policies is as follows:

**FRS 39**

In accordance with the transitional provisions of FRS 39, the effect of recognition, derecognition and measurement of financial instruments, for periods prior to 1 January 2005, is not restated. Consequently, the comparative figures for 2004 have not been restated. On 1 January 2005, the following transitional adjustments were made:

	Fair Value <u>Reserves</u> \$'000	Group <u>Total</u> \$'000	Fair Value <u>Reserves</u> \$'000	Company <u>Total</u> \$'000
Fair valuation of long term investments	(200)	(200)	(200)	(200)

The adoption of FRS 39 has resulted in a decrease in equity of the Group and the Company as at 1 January 2005 of \$200,000. In accordance with the transitional adjustment rules, there is no restatement of the 1<sup>st</sup> Qtr FY2004 profit and loss account of the Group and the Company.

**FRS 102**

As a result of adopting FRS 102, the Group and the Company adjusted downwards the opening revenue reserves as at 1 January 2004 by \$197,916.

Net profit for the Group and the Company for 1<sup>st</sup> Qtr FY2004 decreased by \$40,769. The effect of FRS 102 on the Group's basic and diluted EPS for 1<sup>st</sup> Qtr FY2004 is not significant.

#### Other revised FRSs

Apart the above, the Group adopted FRS 103 and 105 and various revisions in FRS, applicable from 1 January 2005 and these do not have a material financial impact on the Group.

**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**

Please refer to paragraph 4 above.

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

<b>THE GROUP</b>	<u>1st Qtr 2005</u>	<u>1st Qtr 2004</u>
Net Profit after tax (S\$'000)	653	986
Weighted average number of ordinary shares of \$0.05 each in issue ('000)	302,438	249,290
Weighted average number of ordinary shares of S\$0.05 each in issue along with dilution effect (in '000)	306,380	256,101
<b>(Amount in cents)</b>		
Earnings per ordinary share for the period after deducting any provision for preference dividends:-		
(i) Based on existing issued share capital	<b>0.22</b>	<b>0.40</b>
(ii) On a fully diluted basis	<b>0.21</b>	<b>0.39</b>

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

<b>NET ASSETS VALUE</b>	<b>GROUP</b>		<b>COMPANY</b>	
	<u>31 Mar 2005</u>	<u>31 Dec 2004</u>	<u>31 Mar 2005</u>	<u>31 Dec 2004</u>
Number of ordinary shares (in '000)	302,447	302,414	302,447	302,414
<b>(Amount in cents)</b>				
Net assets value per ordinary share based on issued share capital at the end of the period	<b>24.42</b>	<b>24.18</b>	<b>18.46</b>	<b>18.71</b>

**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**

The rapidly growing recognition for the Group's solutions has allowed the Group to record a turnover of S\$41.3 million for the 3 months ended 31 March 2005 representing an increase of 25.8% over the S\$32.9 million achieved in the previous corresponding quarter. The higher business activities were due to continued growth in the digital technology business from increased acceptance of the Group's *ThumbDrive*<sup>®</sup> solutions in the US market.

The Group is aggressively increasing its market share through OEM brands resulting in gross margin to 6.6%.

For the first quarter of FY2005 R&D expenses increased by 16.14% over the previous corresponding period mainly due to the Group's greater and continued focus on R&D activities, which have resulted in more patents being filed in 2005. This brings the total number of patents filed to 29 as at 31 March 2005.

The Group has reduced the Marketing and Distribution expenses in the first quarter of FY2005 by 14.37% over the previous corresponding period in view of the strategic alliance with Imation which was announced on 14 March 2005. This has resulted in a much wider market coverage for the Group.

The Group General Administration expenses in the first quarter of FY2005 has remained comparable to that of the previous corresponding period. As in the previous quarters, included in the Group's other operating (expenses)/income were interests earned on fixed deposits; an unrealised foreign exchange loss and licensing revenue. The unrealised exchange loss incurred during the period is a result of the appreciation of the Singapore dollar against the US dollar as the Group's assets were mainly denominated in US dollar.

With the operating costs incurred in the first quarter of FY2005 remaining comparable to that of the previous corresponding period, the Group achieved an operating profit of S\$0.6 million. No provision for taxes was made for the quarter due to the tax exempt profit status in one of the Group's subsidiaries as well as the corporate tax incentives extended by the Singapore Government.

In pursuing the Group's Intellectual Property ("IP") protection and enforcement of IP rights, legal fees for the litigation, disclosed as an exceptional item, was incurred in the first quarter of FY2004 of S\$0.7 million. No litigation cost was incurred in the quarter under review.

Accounts Receivable increased by S\$15.6 million arising from S\$20.0 million in FY2004 to S\$35.6 million as at 31 Mar 2005, due to new accounts with extended credit terms whilst Accounts Payable increased by S\$8.1 million from S\$15.7 million in FY 2004 to S\$23.8 million as at 31 March 2005.

The Group's Cash and Cash equivalents as at 31 March 2005 stood at S\$32.6 million (FY 2004: S\$40 million).

There are no other significant factors that affected the revenues, costs, and earnings of the Group for the current quarter under review.

There are no material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current period under review.

There are no interested persons transactions during the current period under review.

**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 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**

Looking forward, the Group expects better performance in FY2005 than in FY2004.

Following the SGXNET announcement made on 14 March 2005, the Group looks forward, together with Imation Incorporated, in pursuing and competing aggressively for a larger market share and to develop increasingly powerful solutions/products for consumers.

As a leading IP technology-based organisation, Trek's business performance will now be driven by the expansion of its products/solutions base.

With regards to the litigation surrounding the protection of the Group's IP rights in Singapore, the Court's judgement shall be announced soon.

**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**

No dividend has been declared/(recommended) for the current period under review.

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

**13. 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**

Not Applicable

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

Not Applicable

**15. A breakdown of sales**

Not Applicable

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

Not Applicable

BY ORDER OF THE BOARD

**GURCHARAN SINGH**

Executive Director

13 May 2005