



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UNAUDITED FULL YEAR RESULTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of Trek 2000 International Ltd (the “**Group**” or “**Company**”) wishes to provide the following additional information in response to the queries raised by the **SGX RegCo** in their email dated 12 March 2021 in relation to the Company’s unaudited full year results for financial year ended 31 December 2020 announced on 24 February 2021.

Query by SGX RegCo:

1. Please provide a breakdown and description of the Company’s quoted investments held for Trading of US\$22.6 million as at 31 December 2020 and of US\$16.3 million as at 31 December 2019.

Company’s Response:

- (a) The breakdown and description of the quoted investments held for trading as at 31 December 2020 and 31 December 2019 were as follows:

	<u>31 December</u> <u>2020</u> <u>(USD’000)</u>	<u>31 December</u> <u>2019</u> <u>(USD’000)</u>	<u>Variance</u> <u>(USD’000)</u>
Investment in Quoted Equity	5,918	-	5,918
Discretionary Mandate Fund	15,125	15,147	(22)
Cash and Other Quoted Investment	1,580	1,143	437
Total	22,623	16,290	6,333

Notes:

- (1) The above quoted investments were proposed and managed by Credit Suisse AG, in Singapore. All investments were recommended by Credit Suisse AG with premium ratings. The Company has regular review on monthly basis with Credit Suisse AG on the investments.

Query by SGX-RegCo:

2. Please clarify as to how the fair value of the unquoted investments was determined. In addition, please provide the Board’s opinion on the reasonableness of the methodologies used to determine such fair value of the Unquoted investments and the bases for such an opinion.

Company’s Response:

- (a) To ensure that the Company reflects the fair value of the Unquoted Investments at financial year end, the Company appointed an Independent Professional Valuer, to conduct a fair assessment of the investments, which is in line with the requirements of the External Auditors.



TREK 2000 INTERNATIONAL LTD
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- (b) The Board agreed with the valuation after discussion with the Independent Valuer and External Auditors.

Query by SGX-RegCo:

3. Please provide an explanation for the decrease of short-term deposits of US\$10.0 million from 31 December 2019 to 31 December 2020.

Company's Response:

- (a) As reflected in the Cash Flow Statement, the breakdown for the decrease of short-term deposits of US\$10.0 million was as follows:

	<u>31 December 2020</u> <u>(USD'000)</u>
Cash Outflow from Operating Activities ⁽¹⁾	5,646
Cash Outflow from Investing Activities ⁽²⁾	2,606
Increase in bank balance ⁽³⁾	1,302
Purchase of treasury shares ⁽⁴⁾	226
Payment of lease liability ⁽⁵⁾	165
Effect of foreign exchange difference ⁽⁶⁾	91
Total	<u>10,036</u>

Notes:

- (1) The cash outflow from operating activities arose mainly from the cash outflow from operating loss (US\$3,832,000) and movement in working capital (US\$1,872,000). This was partly offset by the writeback of interest received (US\$58,000).
- (2) The cash outflow from investment activities was due to the net investment in quoted investments (US\$3,134,000), purchase of fixed assets (US\$3,000) and development and patent expenditure incurred (US\$94,000). This was partly offset by the interest income from quoted investments (US\$625,000).
- (3) The increase in bank balance was for working capital purpose.
- (4) The purchase of Company's treasury shares was made under the Company's Share Buyback Mandate.
- (5) This comprised of lease payments for offices and motor vehicles in FY2020.
- (6) As the Company's functional currency is USD and many of our subsidiaries' books are in non-USD currencies, the effect of foreign exchange difference was a result of the difference in the current year-end USD exchange rate adopted in December 2020 and the historical rates used in the Shareholders' reserves. This was in line with the adoption of accounting standard, SFRS(I)-21.



TREK 2000 INTERNATIONAL LTD
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Query by SGX-RegCo:

- (4) Please provide a breakdown of Trade Payables and Accruals of US\$986k and US\$4,505k as at 31 December 2020 and 31 December 2019 respectively, and provide an explanation on a line-item basis for the 78.1% decrease in Trade payables and accruals.

Company's Response:

- (a) The breakdown of Trade Payables and Accruals was as follows:

	<u>31 December</u> <u>2020</u> <u>(USD'000)</u>	<u>31 December</u> <u>2019</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>
Trade Payables ⁽¹⁾	878	4,501	(3,623)
GST Payable ⁽²⁾	108	4	104
Total	986	4,505	(3,519)

Notes:

- (1) Trade Payables comprised of Payables with vendors that offered credit terms of 30 days. The Trade Payables decreased in FY2020 as less purchases were made in December 2020 as compared to December 2019. The lower purchases resulted in a corresponding decrease in inventories (in current assets) from US\$4.0 million in FY2019 to US\$1.5 million in FY2020.
- (2) The GST Payable increased in FY2020 due to lower purchases made in December 2020. As a result, more GST output tax was collected from Sales to customers resulting in higher GST Payables in December 2020.



TREK 2000 INTERNATIONAL LTD
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Query by SGX-RegCo:

- (5) Please provide the aging, nature and breakdown of Other Payables of US\$2,252k and US\$2,282k as at 31 December 2020 and 31 December 2019 respectively.

Company's Response:

- (a) The breakdown of Other Payables was as follows:

	<u>31 December</u> <u>2020</u> <u>(USD'000)</u>	<u>31 December</u> <u>2019</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>	<u>Ageing Period</u>
Deposit and Advances from Customers ⁽¹⁾	524	549	(25)	Please refer to Note (1)
Accrued Expenses ⁽²⁾	601	474	127	Please refer to Note (2)
Provisions for Claims and Warranty ⁽³⁾	1,050	1,200	(150)	Please refer to Note (3)
Other Non-Trade Creditors ⁽⁴⁾	77	59	18	Please refer to Note (4)
Total	2,252	2,282	(30)	

Notes:

- (1) Deposit and Advances for both years comprised of the following:

Deposit from previous financial year	US\$510,000
Advance received within 90 days	Balance

The deposit from previous financial year comprised of a non-refundable deposit of US\$510,000 received for a project that was terminated in previous financial year. As advised by our external auditors and to ensure prudence in our accounting recognition, the Company shall recognise this deposit only in FY2022 when the statutory time-barred period is over.

The balance of the advance received was for the relevant year's transactions and will be reclassified to sales revenue once the transaction is completed.

- (2) The Accrued Expenses comprised of audit fees, professional fees, directors' fees and staff remunerations. These expenses were incurred in the relevant financial years and due to be paid in the following financial year. The Company accrued for these expenses to ensure that all expenses in the year were fully taken into the accounts.



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(Registration Number 199905744N)

- (3) Provisions for Claims and Warranty comprised of the following:

Claim from previous financial year	US\$900,000
Warranty Provisions for next 3 years	Balance

The claim from previous financial year comprised of a claim amount of US\$900,000 from a customer that was provided in the book in previous financial year but was subsequently agreed with the customer to be waived. As advised by our external auditors and to ensure prudence in our accounting recognition, the Company shall write back the claim only in FY2022 when the statutory time-barred period is over.

The warranty provisions were made to cover the cost of repair and replacement of products for 3 years, which is the Company's product warranty period. The amount computed was estimated based on historical information and provisions made in the book as part of the Company's accounting policy to be prudent in our accounting recognition.

- (4) The Other Non-Trade Creditors comprised of miscellaneous expenses and purchases that were billed by creditors and not paid at the end of the financial year. The average ageing period of Other Non-Trade Creditors was 60 days.

BY ORDER OF THE BOARD

Tan Joon Yong Wayne
Deputy Chairman and Executive Director

16 March 2021