



TREK 2000 INTERNATIONAL LTD  
(Registration Number 199905744N)

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## RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") ON ANNUAL REPORT 2020

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With regard to SIAS's questions in relation to the Company's Annual Report 2020, the Company's response to each of the specific question is set out immediately after the question. For the avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

### **SIAS Question 1**

- (i) **What are the reasons for the downward trend in gross profit margin?**

**Company's response**

The decline in the Group's gross profit margin was a result of pricing pressure and competitive market environment. Please refer to our announcement of financial results at SGXNET on 24 February 2021.

- (ii) **Has management carried out a brand audit to better understand the market's perception of the group?**

**Company's response**

As we are well-established in the market and our products are well accepted, the Group is well aware of the market perception of our products.

- (iii) **Is the Group able to command a premium in the pricing of its products?**

**Company's response**

The Group is well-established in the market and our products are well accepted. Given this, our pricing is subject to market conditions.

- (iv) **Does the Group have a series of new and exciting products in its pipeline, especially in the MedTech space? For instance, Flucard® was launched in 2010 and has been in the market for the past 10 years.**

**Company's response**

The Group develops innovative and patented products in the MedTech, AI, security and sustainability energy spaces. As technology evolved, the Group continues to look at the market demand and develop new products. Please refer to our website for our products.



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- (v) **The Group has stated that Research & Development (R&D) is an integral component for the Group's future growth and sustainability. Can the Group help shareholders understand the work involved in the R&D process? What is the split between sustaining/incremental R&D (better versions of existing products) and disruptive (new products, new categories)?**

**Company's response**

The Group main activities are in Research and Development. Through our R&D effort, the Group strives to innovate and come up with disruptive. Please refer to our Annual Report for details of our R&D and product range.

- (vi) **Would management provide greater clarity on the breakdown of revenue according to products?**

**Company's response**

Please refer to the Segmental Results on page 136 to 139 of our Annual Report 2020.

- (vii) **Can management help shareholders understand how it is managing the risks in the supply chain?**

**Company's response**

The Group has strong support in our supply chain and does not foresee any risks in this area. Our suppliers and customers work very closely with us and continue to support us in the long haul.

- (viii) **Given the proliferation of mobile devices with large built-in storage and the pervasiveness of 4G/5G and mobile/wifi IoT devices, how sustainable is the Group's ICS division?**

**Company's response**

The Group is cautiously optimistic that the ICS division will continue to be the main growth of our business. The Group is confident that its focus is on 5G, AI, Renewal Energy going forward.

**SIAS Question 2**

- (i) **Can management provide an update on the Terrenus investment?**

**Company's response**

Please refer to our SGX announcement at the SGXNET in FY2019 on our investment in Terrenus Energy. We will continue to keep shareholders updated on our investment at the SGXNET, as and when there is any new development.

- (ii) **In addition, does the group have the competencies and the capital to go into the Renewable Energy sector? The sector is one with a long gestation period and is capital-intensive in nature.**

**Company's response**

The Group believes it has the competencies and capital to venture/collaborate in the Renewal Energy sector.



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(iii) **Can the board help shareholders understand if it had approved the company's investment into funds and quoted equities?**

**Company's response**

All investments undertaken by the Group are approved by the Board.

**What is the level of oversight provided by the board?**

**Company's response**

All investments undertaken by the Group are approved by the Board.

**Would the size of the investments (US\$30.7 million compared to US\$39.6 million in equity) significantly alter the risk profile of the Group?**

**Company's response**

The risk profile of the Group remained relatively unchanged as the Group adopts the appropriate risk management measures to safeguard its investment as explained at the SGXNET on 2 September 2020.

To reiterate again, the risk management measures adopted by the Group are as follows:

- All investments to be put in by the Group are recommended by its appointed Investment Bankers, primarily Credit Suisse AG, an international bank and accredited financial adviser with MAS, and other appointed Investment Bankers accredited with MAS, and approved by the Board. The appointment of Investment Bankers is approved by the Board. The investments are diversified in equity, bonds and funds.
- The investment assets recommended have historical yields that meet the targeted returns of the Group.
- The investment assets shall be in safe investments preferably with ratings of "BBB" and above.
- The Group ensures a diversified portfolio of its investments to minimize the investment risks.
- Investments are in financial assets that the Group is able to liquidate at short notice by selling the investments to the professional fund managers if it wants to liquidate the investments.
- Periodic reviews of the yields and returns of the investment portfolio and assessment of the performance are carried out with the financial advisers.

**What are the criteria applied in the evaluation and selection process of these funds?**

**Company's response**

As mentioned above, all recommended investment opportunities will need to come from appointed Investment Bankers, have historical yields that meet the targeted returns of the Group and shall be in safe investments preferably with ratings of "BBB" and above. The Group also ensures a diversified portfolio to minimize the investment risks.



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- (iv) **How robust is the risk management? Has the board ensured compliance with its risk management policies and that there are limits on individual sectors and companies to manage the risks?**

**Company's response**

The Group believes that the risk management measures adopted are robust and provides the necessary assurance to safeguard the Group's investment. The Board approves the investment of the Group.

**SIAS Question 3**

- (i) **Can the ARC elaborate further on the scope of the internal audit? In particular, were all the major operating subsidiaries (including subsidiaries overseas) covered in the internal audit?**

**Company's response**

Please refer to our announcement at the SGXNET on the scope of the internal audit of the Group as required by the SGX on 26 April 2018 and the appointment of Baker Tilly TFW to undertake an independent review of the Group's internal control and corporate governance practice. The appointment of the internal auditors and the scope of the internal audit were approved by SGX before the internal audit was carried out for this audit.

- (ii) **What are some of the findings of the internal audit?**

**Company's response**

There were no negative findings in the internal audit.

- (iii) **What were some of the improvements made to the group's internal controls following the recommendations made by the internal auditors?**

**Company's response**

The improvements recommended by the internal auditors were minor and implemented by the Group.

BY ORDER OF THE BOARD

Khor Peng Soon  
Non-Executive Chairman

26 April 2021