



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UNAUDITED SECOND QUARTER AND HALF YEARLY FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2021

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 8 September 2021 in relation to the Company’s unaudited second quarter and half yearly financial results for the period ended 30 June 2021 announced on 12 August 2021.

Query by SGX RegCo:

1. Please provide reasons for the increase in gross profit margin from 1.0% in 2QFY2020 to 6.7% in 2QFY2021.

Company’s Response:

The increase in gross profit margin in 2QFY2021 was mainly due to the higher gross profit margin from our solutions in the Customised Solutions segment in 2QFY2021.

Query by SGX RegCo:

2. Please disclose details of the new business unit which was set up with effect from 1 July 2021.

Company’s Response:

The new business unit to be set up from 1 July 2021 is the Renewable Energy solution business, a growing business segment in Singapore. We expect significant contributions from this business into the future. For this business, the Company will be providing Artificial Intelligence (A.I.) and Smart Meter solutions to customers in this segment.

Query by SGX RegCo:

3. The Company explained that the increase in Interactive Consumer Solutions’ revenue by more than 100% from 2QFY2020 to 2QFY2021 was due to the higher demand for the Group’s solutions in 2QFY2021. Please disclose if the higher demand noted is cyclical and provide more details on what contributed to the increase such as whether it was due to more contracts from new external parties.

Company’s Response:

The increase in Interactive Consumer Solutions’ revenue in 2QFY2021 as compared to 2QFY2020 was not cyclical but mainly due to a general improvement in the market in 2QFY2021. The market in FY2020 was adversely disrupted due to measures adopted by countries globally in response to the COVID-19 pandemic.



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Query by SGX RegCo:

4. The Group recorded an increase of 1,197% in the Customised Solutions business unit, from US\$ 0.6 million in 1HFY2020 to US\$ 7.4 million in 1HFY2021. In this regard, please provide an explanation for the significant increase in revenue for this business unit.

Company's Response:

The significant increase in revenue in Customised Solutions business unit in 1HFY2021 was mainly due to the higher demand for our solutions from other customers in 1HFY2021. As mentioned above, the market in FY2020 was adversely disrupted due to measures adopted by countries globally in response to the COVID-19 pandemic.

Query by SGX RegCo:

5. Please provide the breakdown and nature of Other Income of US\$ 962,000 for 1HFY2021 as compared to Other Income of US\$ 164,000 for 1HFY2020, and provide explanations on a line item basis for the significant increase.

Company's Response:

The breakdown of the Other Income and the explanation for the material increase of US\$ 798,000 for 1HFY2021 was as follows:

	<u>1H2021</u> <u>(USD'000)</u>	<u>1H2020</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>
Income from Grant and Subsidies ^(a)	40	131	(91)
Gain on Fair Value Change of Financial Assets designated as FVTPL ^(b)	801	-	801
Foreign Exchange Gain – Nett ^(c)	54	-	54
Miscellaneous Income ^(d)	67	33	34
Total	962	164	798

Notes:

- (a) The decrease in income from grant and subsidies in 1HFY2021 was mainly due to the lower COVID-19 government grant and subsidies received in 1HFY2021.
- (b) Under accounting standard FRS 105, any gain or loss on disposal and revaluation of financial assets designated as FVTPL will need to be accounted through the Company's profit & loss account. In 1HFY2021, gain on disposal and fair value change of financial assets amounted to US\$ 801,000 as compared to a loss of US\$ 749,000 in 1HFY2020. The gain in 1HFY2021 was recognised in Other Income and the loss in 1HFY2020 was recognised in Other Operating Expenses in the relevant periods.
- (c) As a result of the strengthening of US dollar in 1HFY2021, a net foreign exchange gain of US\$ 40,000 was recognised in 1HFY2021. This was in contrast to a net foreign exchange loss of US\$ 92,000 in 1HFY2020, which was recognised in Other Operating Expenses in the relevant periods.



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- (d) A higher miscellaneous income was recognised in 1HFY2021 mainly due to higher marketing support funds received from our suppliers in 1HFY2021.

Query by SGX-RegCo:

6. It is noted that the Company has a net cash outflow from operating activities of US\$ 1.9 million and a net profit of US\$ 0.5 million for the financial period ended 30 June 2021. Please explain why the Company is unable to generate a net cash inflow from its operating activities, despite the Company's net profit position for the financial period.

Company's Response:

The net cash deficit in 1HFY2021 was mainly due to the net cash deficit from operations and the higher investment in net current assets in June 2021, as compared to 31 December 2020.

Query by SGX-RegCo:

7. Please provide a breakdown of Trade Payables and Accruals of US\$ 3.9 million and US\$ 1.0 million as at 30 June 2021 and 31 December 2020 respectively. Please also provide an explanation for the significant increase in Trade Payables and Accruals of 293% from FY2020 to 1HFY2021.

Company's Response:

The breakdown of the Trade Payables and Accruals, and the explanation for the material variances were as follows:

	<u>30 June 2021</u> <u>(USD'000)</u>	<u>31 December</u> <u>2020</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>
Trade Creditors ^(a)	3,873	878	2,995
GST Payable, Nett ^(b)	-	108	(108)
Total	3,873	986	2,887

Notes:

- (a) Trade Creditors comprised of Payables with vendors that offered credit terms of 30 days. The Trade Payables increased in June 2021 as higher purchases were made in June 2021 as compared to December 2020.
- (b) There was no nett GST Payable in June 2021 as the Company was in a nett GST Receivable position. This was due to higher GST input tax as compared to GST output tax in June 2021. The nett GST Receivable was reflected in Trade Receivables in Current Assets in June 2021.



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Query by SGX-RegCo:

- (8) Please disclose the (i) breakdown; (ii) aging; (iii) nature of Other Payables of US\$ 2.3 million as at 30 June 2021; and (iv) whether the counterparties are related parties.

Company's Response:

The breakdown of Other Payables was as follows:

	<u>(USD'000)</u>	<u>Ageing Period</u>
Deposit from Customer ^(a)	510	Please refer to Note (a)
Accrued Expenses ^(b)	679	Please refer to Note (b)
Provisions for Claims and Warranty ^(c)	1,050	Please refer to Note (c)
Other Non-Trade Creditors ^(d)	55	Please refer to Note (d)
Total	2,294	

Notes:

- (a) The deposit from customer comprised of a non-refundable deposit of US\$ 510,000 received in previous financial year was for a project that was terminated in previous financial year. To ensure prudence in our accounting recognition, the Company will recognise this deposit as income when the statutory time-barred period is over.
- (b) The Accrued Expenses comprised of audit fees, professional fees, directors' fees and staff remunerations. These expenses were incurred in the current financial period and due to be paid. The Company accrued for these expenses to ensure that all expenses in the year were fully taken into the accounts.
- (c) Provisions for Claims and Warranty comprised of the following:

Claim from previous financial year	US\$900,000
Provision for Warranty Claims	US\$150,000

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. The Company will write back the claim only when the statutory time-barred period is over.

The provision for warranty claims was made to cover the cost of replacement of products for the Company's product warranty period. The amount computed was estimated based on past product replacement experience and, provision was made in the book in line with our accounting policy to be prudent in our accounting recognition and according to the requirements under the accounting standards.



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- (d) 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 period. The average ageing period of Other Non-Trade Creditors was 34 days.
- (e) The counterparties for Other Payables were not related parties.

Query by SGX-RegCo:

- (9) In regard to the loan rendered to an external party of US\$ 1.5 million, please disclose the identity of the external party and whether the Group has transacted with this party as a creditor. If so, please disclose whether the external party has paid its debts as and when it falls due to the Group. Please also disclose the repayment schedule of the loan.

Company's Response:

- (a) The loan of US\$ 1.5 million was given to Terrenus Energy Pte Ltd, which the Group has a shareholding interest of 7.5%. Terrenus Energy Pte Ltd is also our customer (not our creditor), in the Renewable Energy business, and the Group is working closely with them to develop solutions for the Renewable Energy business and gaining an entry in this business segment.
- (b) The loan was for a period of 2 years, with an interest rate of 6% p.a., and to be used by Terrenus Energy Pte Ltd for their working capital. The loan was fully secured by a corporate guarantee from the holding company of the borrower.

BY ORDER OF THE BOARD

Tan Joon Yong Wayne
Deputy Chairman and Executive Director

9 September 2021