



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UNAUDITED SECOND QUARTER RESULTS FOR THE PERIOD ENDED 30 JUNE 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 1 September 2020 in relation to the Company’s unaudited second quarter results for the period ended 30 June 2020 announced on 5 August 2020.

Query by SGX RegCo:

1. Please provide a breakdown of Other Income for 1H2020 and 1H2019, and provide explanations on a line item basis on what contributed to the material decrease of US\$898,000 from 1H2019 to 1H2020.

Company’s Response:

- (a) The breakdown of the Other Income and the explanation for the material decrease of US\$898,000 was as follows:

	<u>1H2020</u> <u>(USD’000)</u>	<u>1H2019</u> <u>(USD’000)</u>	<u>Variance</u> <u>(USD’000)</u>
Income from Grant and Subsidies ⁽¹⁾	131	8	123
Gain on Fair Value Change of Financial Assets designated as FVTPL ⁽²⁾	-	574	(574)
Foreign Exchange Gain – Nett ⁽³⁾	-	57	(57)
Miscellaneous Income ⁽⁴⁾	33	423	(390)
Total	164	1,062	(898)

Notes:

- (1) The increase in income from grant and subsidies in 1H2020 was from the COVID-19 government grant and subsidies of US\$127,000.
- (2) Under accounting standard FRS 105, any gain or loss on revaluation of financial assets designated as FVTPL will need to be accounted through the Company’s profit & loss account. In 1HFY2020, due to the unfavourable financial markets caused mainly by the COVID-19 pandemic, a loss in the fair value change of such financial assets arose and no gain was recognised. In 1HFY2019, a gain of US\$574,000 was recognised on revaluation of such assets.
- (3) As a result of the weakening of US dollar in 1HFY2020, a net foreign exchange loss arose and no foreign exchange gain was recognised in 1H2020. A foreign exchange gain of US\$57,000 was recognised in 1HFY2019.



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- (4) A higher miscellaneous income was recognised in 1H2019 due mainly to the writeback of accrued expenses from previous financial years that were no longer required amounting to US\$403,000. For good practice, the Company reviews its expenses periodically to ensure that all expenses are appropriately accrued and accrued expenses no longer required will be written back. This practice is in line with the financial prudence of the Company.

Query by SGX-RegCo:

2. Please provide a breakdown of Other Expenses for 1H2020 and 1H2019, and provide explanations on a line item basis on what contributed to the material increase in Other Expenses of US\$30,000 in 1H2019 to US\$841,000 in 1H2020.

Company's Response:

- (a) The breakdown of the Other Expenses and the explanation for the material increase from US\$30,000 in 1H2019 to US\$841,000 in 1HFY2020 were as follows:

	<u>1H2020</u> <u>(USD'000)</u>	<u>1H2019</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>
Loss on Fair Value Change of Financial Assets designated as FVTPL ⁽¹⁾	749	-	749
Loss on Disposal of Quoted Investment ⁽²⁾	-	30	(30)
Foreign Exchange Loss – Nett ⁽³⁾	92	-	92
Total	841	30	811

Notes:

- (1) As explained in #1(a)(2) above, the loss on fair value change of financial assets designated as FVTPL was recognised in 1HFY2020.
- (2) No loss was recognised in 1HFY2020 as there was no disposal of quoted investment in 1H2020.
- (3) As explained in #1(a)(3) above, a net foreign exchange loss was recognised in 1H2020.

Query by SGX-RegCo:

3. Please provide a breakdown of Trade and Other Receivables as at both 30 June 2020 and 31 December 2019, and elaborate on the underlying items contributing to Other Receivables.



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Company's Response:

- (a) The breakdown of the Trade and Other receivables, and the items contributing to the receivables were as follows:

	<u>June 2020</u> <u>(USD'000)</u>	<u>December 2019</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>
Trade Receivables ⁽¹⁾	217	1,027	(810)
Other Receivables ⁽²⁾	168	199	(31)
Total	385	1,226	(841)

Notes:

- (1) The decrease in Trade Receivables in June 2020 was due to the decrease in credit sales and the increased effort in credit collection during the COVID-19 pandemic period.
- (2) The decrease in Other Receivables in June 2020 was due to lower accrued income and deposit as at June 2020. The Other Receivables comprised of deposits receivable and accrued income.

Query by SGX-RegCo:

4. It was explained that the increase in Quoted Investments was mainly due to new investments in higher yield financial assets. Please provide the nature of higher yield financial assets and elaborate on the risk management and governance procedures relating to the investments.

Company's Response:

- (a) The Company invested in financial assets recommended by its appointed Investment Banker, Credit Suisse AG, an accredited financial adviser with MAS. The assets invested are in equity, bonds and funds managed by our Investment Banker.
- (b) The investments of US\$3.2 million in 1HFY2020 comprised of equity, bonds and funds managed by Credit Suisse AG. The assets as recommended by our Investment Banker have historical yields that meet the targeted returns of the Company.
- (c) As for the risk management and governance procedures, the Company adopts the following measures:
- (i) The appointment of accredited MAS financial adviser especially reputable investment bankers. The appointment is confirmed by the Company's Investment Committee.
- (ii) The investment shall be in safe investments preferably with ratings of "BBB" and above.
- (iii) All recommended investment opportunities will need to come from appointed Investment Bankers.
- (iv) The Company ensures a diversified portfolio to minimise the investment risks.



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- (v) Periodic review of the yields and returns of the investment portfolio with the financial adviser, and assessment of the performance of the financial adviser.

Query by SGX-RegCo:

5. Please provide the background on how the amount of Provision of Stock Obsolescence was determined.

Company's Response:

- (a) The Company makes provisions for stock obsolescence on a monthly basis based on the aging of its inventory. This practice is in line with the requirements of the accounting standards that require inventory to be valued at the lower of cost or net realisable value.
- (b) The Company has a prudent stock obsolescence policy of 50% provision for any inventory that is more than 210 days and 100% provision for any inventory that is more than 360 days. Based on the nature of our products, the Company is of the view that this criteria is sufficient to meet the accounting standards. In addition, evaluation of the book value of inventory (after the provision of obsolescence) is made against the existing selling price of the inventory (or net realisable value) and further provision for diminution in value of inventory is made for inventory with book value higher than the net realisable value.

Query by SGX-RegCo:

6. Please provide the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of Provision for Stock Obsolescence.

Company's Response:

- (a) The Board of Directors confirms that it is satisfied with the reasonableness of the methodologies to determine the amount of Provision for Stock Obsolescence.

Query by SGX-RegCo:

7. Please provide a breakdown of Trade and Other Payables as at both 30 June 2020 and 31 December 2019, and provide an explanation for the material variances in each of the line items included in the breakdown.

Company's Response:

- (a) The breakdown of the Trade and Other Payables, and the explanation for the material variances were as follows:

	<u>June 2020</u> <u>(USD'000)</u>	<u>December 2019</u> <u>(USD'000)</u>	<u>Variance</u> <u>(USD'000)</u>
Trade Payables ⁽¹⁾	38	4,505	(4,467)
Other Payables ⁽²⁾	2,337	2,282	55
Total	2,375	6,787	(4,412)



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Notes:

- (1) The decrease in Trade Payables in June 2020 was due to the higher payment made as compared to purchases from creditors in 1HFY2020. The Company reduced purchases drastically in 1HFY2020 in view of the COVID-19 pandemic.
- (2) The increase in Other Payables in June 2020 was due to higher accrued expenses in 1HFY2020.

BY ORDER OF THE BOARD

Khor Peng Soon
Non-Executive Chairman

2 September 2020