



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Trek 2000 International Ltd (the “**Group**” or “**Company**”) wishes to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) dated 14 July 2020 to the Company’s Annual Report for Financial Year ended 31 December 2019.

Query by SGX-ST:

1. Provision 2.4 of the Code of Corporate Governance 2012 (“2012 Code”) which continues to apply till 1 January 2022, provides that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

Please explain how the Company complied with Provision 2.4 of the 2012 Code which provides, among other things, that directors who have served on the Board beyond nine years should be subject to particularly rigorous review.

Company’s Response:

- (a) Board Renewal is an ongoing process to ensure independence of Directors, and to accommodate extensive diversity of thought and background of Directors. Apart from Mr Khor Peng Soon, who has served seven years on the Board, and Mr Chay Yee Meng, who has served four years since his re-appointment, the other Board members have only two years of service with the Company. Mr Kuan Mun Kwong, who has been on the Board for two years, had retired and stepped down from the Board in the last AGM in 2020. The Company adopts a rigorous process of selecting and appointing Independent Directors that can contribute to the Company.
- (b) For the avoidance of doubt, only one independent Director, Mr Chay Yee Meng, serves beyond nine years from the date of his first appointment in 2001 (19 years ago). Mr Chay retired and stepped down from the Board in 2012 to facilitate Board renewal. Mr Chay was re-nominated as an Independent Director in 2016. The 4 years lapse provides sufficient period for a Director to have an independence of mind and judgement, and to act in the Company’s best interests when he re-joins the Board. The Nomination Committee had reviewed Mr Chay’s appointment before his nomination as an Independent Director and was of the view that he is independent on re-appointment.
- (c) As part of the Company’s rigorous review of Directors’ independence, Directors are required to declare their interest quarterly. All declarations by Directors are submitted to the Company Secretary. The disclosures of the Directors are reviewed at the quarterly Audit Committee and Board of Directors meetings and any independence issue is declared and discussed during the meetings. Directors are required to assess their performance and that of fellow Directors annually, and these were compiled by the Company Secretary, reviewed by the Nomination Committee and approved by the



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Board. Any changes in the Board of Directors will be discussed and decided during the Board meeting.

The Company implemented a rigorous review of Directors' independence and ensure that the independence of the Directors are not compromised. This is further explained in the IPT procedures on pages 33 and 34 of the Annual Report.

Query by SGX-ST:

2. Rule 907 of the Listing Manual provides that an issuer must disclose the aggregate value (excluding transactions less than \$100,000) of interested person transactions entered into in a specified format. It was disclosed on page 105 of the Annual Report that the Company had paid consultancy fees to the controlling shareholder and former Director of the Company of more than \$100,000. In this regard, please explain how the Company has complied with Rule 907 of the Listing Manual.

Company's Response:

- (a) Based on Rule 907 of the Listing Manual, the information, which was inadvertently missed out, was as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transaction conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Mr Tan Henry @ Henn Tan	Controlling Shareholder	USD 379,328	-

- (b) The Controlling Shareholder was appointed as Consultant and Emeritus Chairman after he stepped down as Executive Chairman and Chief Executive Officer by the Board on 25 May 2018.
- (c) Mr Tan's appointment was announced on the SGXNET on 25 May 2018. Please refer to the announcement at the SGXNET.



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Query by SGX-ST:

3. Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

(i) We note that the Company had not complied with Provisions 2.2 and 2.4 of the Code as (i) Independent directors do not make up a majority of the Board where your Chairman is not independent and (ii) the Company has not disclosed its board diversity policy, including objectives, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of principle 2 of the Code,

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

(ii) We note that the Company had not complied with Provisions 8.1 and 8.2 of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response:

(a) The Company disclosed its non-compliance with the Code with regard to the number of Independent Directors and as explained on page 24 of the Annual Report, it is currently in the process of identifying suitable candidate to increase the number of Independent Directors. The disclosure and action taken on this indicate the intent to meet Principle 2 of the Code. The Company is mindful of the need to appoint Independent Director in the area of expertise that can contribute to the Company.

(b) The Board comprises of members with extensive years of experience and diverse background. The brief description of their experience and background were presented on page 12 and 13 of the Annual Report.

In addition to the Company's response in #1(c) above, the Company had also disclosed on page 24 of the Annual Report the practices it adopted to have an



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appropriate level of independence, diversity of thoughts and background of the Directors. The extract of the statement is as follows:

“The Board, through the NC, reviews the independence of each Independent Director, board structure, size and composition annually. No individual or group of individuals was able to dominate the Board’s decision-making process. The Board consists of credible members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insights, drawing from their vast experience in matters relating to accounting, finance, business and general corporate matters. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision-making process.

The NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group’s operation.”

Further disclosures on this matter were made on page 26 of the Annual Report as follows:

“The NC also reviews the independence of the Directors as mentioned under Guideline 2.1 of the CCG2018 on an annual basis. The NC has affirmed that Mr. Chay Yee Meng and Mr. Kwek Swee Heng are independent and free from any relationship outlined in the CCG2018. Each of the Independent Directors has also confirmed his independence in accordance with the CCG2018. Mr Chay Yee Meng has served as a Board member of the Company for a total of 16 years. In view of this, the re-election of Mr Chay Yee Meng at the Annual General Meeting (“AGM”) in 2022 will be subject to two separate votes, the first by all shareholders of the Company and the second by shareholders excluding the directors and chief executive officer and their associates.

At each AGM, one-third of the Directors with the longest term in office are required to retire and submit themselves for re-election.”

“Board Performance (Principle 5)

The NC undertakes an annual evaluation of the overall effectiveness of the Board. Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of the individual Directors. The performance criteria for the Board evaluation includes the size and composition of the Board, the Board’s access to information, Board proceedings, the discharge of the Board’s functions and the communications and guidance given by the Board to the Management.

Each Director also undertakes a self-assessment to evaluate their contribution to the Board. This self-assessment process takes into account, among other things, the commitment,



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value of the contribution to the development of strategy, availability at board meetings, interactive skills, degree of preparedness, industry awareness and business knowledge and experience of each Director.

The results of the evaluation exercise will be considered by the NC, which will then make recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively.

Each member of the NC shall abstain from participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as Director.

The Board comprise members with considerable years of experience in the industry, technology, finance and Management. Each member brings to the Board his expertise in the relevant fields to make balanced decisions. The NC is of the view that the performance of the Board as a whole is satisfactory. The Board's performance is ultimately reflected in the performance of the Group."

- (c) The Company disclosed the name and salary of Directors and Key Executives in Remuneration Band instead of aggregate total remuneration. This was done in the interests of the Company to maintain the confidentiality of the individual's remuneration and to prevent poaching of key executives by competitors in a highly competitive industry. Taking into consideration the reasons for deviation from Provision 8.1 of the Code, the Company believes that there is sufficient transparency in its disclosure of remuneration which is consistent with the intent of Principle 8 of the Code.
- (d) For immediate family member of Director, please refer to the additional information below:
- "There are no employees who are immediate family members of a director during FY2019, except for Mr Tan Boon Tat, Mr Tan Boon Siong and Mr Tan Boon Liew, all uncles of Mr Tan Joon Yong, Wayne, whose remunerations are in the band range of S\$50,000 to S\$100,000, and Mr Tan Henry @ Henn Tan, father of Mr Tan Joon Yong, Wayne, who was paid consultancy fee of USD 379,328. Mr Henry Tan @ Henn Tan is also the Controlling Shareholder and his remuneration is mentioned in #2(a) above."
- (e) The Company's remuneration policies and practices were summarised on page 27 of the Annual Report. The Company is transparent in its remuneration policies and practices, and these are consistently adopted throughout the Company. Please refer to the extract from page 27 of the Governance Report in the Annual Report as follows:

"Level and Mix of Remuneration (Principle 7)

Executive Directors do not receive directors' fees. The remuneration policy for



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Executive Directors and Senior Management staff consists of three key components, that is, fixed cash, annual variable and long-term incentive. The fixed component includes salary, central provident fund contributions and other allowances. The variable component takes into account the risk policies of the Company and comprise a performance based bonus which forms a significant proportion of the total remuneration package of the Executive Directors and is payable on the achievement of individual and corporate performance targets. The long-term incentive is granted based on the individual employee's performance and contributions. The remuneration policy has been endorsed by the RC and the Board."

"Generally, remuneration matters relating to the Directors and key Executives are reviewed and recommended by the RC to the Board for approval, except for certain standard components of the key executives' remuneration, like annual salary review and company-wide bonus payment, which will be reviewed and authorised by the senior Management of the Company. The RC also ensures that the remuneration is appropriate to attract, retain and motivate the Directors and key executives to provide good stewardship of the Company for the long term.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Committees and are also granted share options based on their respective contributions to the Board and Board Committees. A Directors' Fee policy has been put in place to determine the quantum of fees payable to Directors. All Independent Non-Executive Directors receive directors' fees, which are subject to the approval of shareholders at the AGM.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements or of misconduct resulting in a financial loss to the Company and the Group."

For the avoidance of doubt, remuneration policies and practices of Key Executives and Senior Management are also applicable and consistently adopted for Non-Key Executives.

BY ORDER OF THE BOARD

Khor Peng Soon
Non-Executive Chairman

16 July 2020