



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 2019

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 Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in their email dated 16 August 2019 in relation to the Company’s unaudited second quarter results for the period ended 30 June 2019 announced on 7 August 2019.

Query by SGX-ST:

1. On page 2 of the financial statements, we note a reversal for provision of diminution in value of inventory of US\$537k in 2QFY2019 and an accumulative reversal of US\$1.022 million in FY2019 thus far.

Please state when the provisions were made, why it was made and the reason for its reversal in 1QFY2019 (US\$485k) and in 2QFY2019 (US\$537k)

Company’s Response:

- (a) The provision for diminution in value of inventory of US\$1.022 million was made in the December 2018 financial statements during the financial year end audit.
- (b) The provision was made in accordance to the requirements of the accounting standards that stated that inventory is to be valued at the lower of cost or net realizable value. In evaluating the provisions required, the costs of the individual inventory are evaluated with the net realisable value of the individual inventory, and provisions are made to write down the cost of inventory to the net realisable value for inventory with costs exceeding the net realisable value.
- (c) The provisions were reversed in 1QFY2019 and 2QFY2019 as these provisions were no longer required during these periods. This was because major portion of the stocks was sold during these periods. For a small amount of inventory that was unsold as at 30 June 2019 (approximately 20%), a provision of stock obsolescence was made in the book in accordance with our Company’s policy, which rendered the provision of diminution in value of inventory no longer required and would need to be reversed. With these adjustments, the book value of the unsold inventory was below the net realisable value of the inventory. For your information, the provision of stock obsolescence for this unsold inventory was not material to the Company.

Query by SGX-ST:

2. We note that the inventory turnover days has increased to 120 days in 1HFY2019 from 57 days for FY2018. Has the reversal of provision made previously caused inventory turnover days to increase by 2 times? On this basis, please justify the reversal of the provisions made.



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

Company's Response:

- (a) The reason for the increase in inventory turnover days was not due to the reversal of provisions for diminution in value in #1. The increase in inventory turnover days was due mainly to the increase in inventory balance from US\$3.40 million in December 2018 to US\$4.96 million in June 2019 and the decrease in average sales in 1HFY2019 as compared to that of FY2018.

Query by SGX-ST:

3. We note a gain on fair value changes of financial assets designated as FVTPL of US\$219k in 2QFY2019. Please elaborate on the nature of these financial assets.

Company's Response:

- (a) Under accounting standards FRS 105, financial assets designated as FVTPL will need to be taken into the Company's Current Assets and periodically revalued to fair value. Any gain or loss on revaluation of these financial assets needs to be accounted through the Company's Profit & Loss accounts. As at 30 June 2019, the fair value of the financial was US\$7.0 million. This was higher than the fair value of US\$6.8 million on 31 March 2019. The gain on revaluation of US\$219k was recognised in the Company's Profit and Loss accounts in 2QFY2019.

Query by SGX-ST:

4. Please explain why the trade and other receivables had increased by 175% from 31 December 2018 even though sales had declined.

Company's Response:

- (a) The increase in trade receivables in June 2019 was due to the increase in credit sales for new projects/customers in 1HFY2019. Kindly note that as at 15 August 2019, US\$ 1.0 million of the trade receivable of US\$1.7 million as at June 2019 was received.

Query by SGX-ST:

5. We note that the Company had traded in quoted investments during 2QFY2019. Please disclose how the Company has complied with the Listing Rule 704(17) and 704(18) in relation to the disclosure of acquisition and sale of quoted securities.

Company's Response:

- (a) Rule 704(17) and 704(18) are not applicable to our quoted investments as our investments are in bonds and funds, and not in quoted securities.

Query by SGX-ST:

6. On page 11 of the announcement, it is stated that the Group invested in an unquoted fund. Please disclose which fund the Company invested US\$4.7 million in (as at 30 June 2019) and explain the rationale for investing in these unquoted investments where the Company will not be able to monetise these investments easily.



TREK 2000 INTERNATIONAL LTD
(Registration Number 199905744N)

Company's Response:

- (a) The investments in unquoted investments of US\$4.7 million as at June 2019 were as follows:

Investment in an unquoted private equity of a financial institution	US\$1.03 million
Investment in Terrenus Energy Pte Ltd (" Terrenus Energy ")	US\$3.00 million
Investment in an unquoted fund – R3 Asian Gem	US\$684,000

- (b) The investment in an unquoted private equity of a financial institution and an unquoted fund (R3 Asian Gem) were managed by professional fund managers regulated by the Monetary Authority of Singapore. The investments were made based on expected returns recommended by the fund managers. The Company is able to liquidate these funds at short notice by selling the funds to the professional fund managers if it wants to liquidate the investments.
- (c) The investment in Terrenus Energy Pte Ltd ("Terrenus") was earlier announced at the SGXNet in FY2019. The investment was made for the long-term as Terrenus is profitable and has good potential in the energy market. Terrenus has signed with government authorities/customers in the supply of green energy on long haul (between 18 years and 20 years) providing regular income stream during this period. It is also currently negotiating many potential lucrative projects with these government authorities. We believe this investment will yield good returns for the Company in the long term.

BY ORDER OF THE BOARD

Kuan Mun Kwong
Executive Director

20 August 2019