Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Trek 2000 International Ltd

Stock code: 5AB

Meeting details:
Date: 28 April 2021
Time: 9.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the financial review (page 9), the group achieved a gross profit of 1.2% in FY2020.

In the past 5 years, the gross profit margins were 11.1%, 15.4%, 3.7%, 2.7% and 1.2% from FY2016 to FY2020 respectively. The group positions itself as a global industry innovator and aims to be a leading solutions provider for the Internet-of-Things ecosystem.

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

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

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

(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.

(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)?**

The group's Interactive Consumer Solutions ("ICS") division continued to be the key revenue generator accounting for 82.9% of its revenue. This division comprises Thumbdrive®, Flucard®, Security Solutions and WiFi Memory Modules for embedded devices.

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

In addition, in the risk management section of the corporate governance report, the group reported that the global shortage of key components, such as NAND flash memory chips and SmartMedia cards, may disrupt its operations and lead to cost pressure.

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

(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?**

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Q2. The group ventured into renewable energy in January 2019 when it invested US$3.0 million in Terrenus Energy Pte Ltd, an energy solutions company with operations in Singapore, Australia and China. Incorporated in Singapore in 2016, Terrenus Energy is an energy solutions company that builds solar energy systems that generate electric power for utilities and other end users. The group held a 7.5% stake in Terrenus Energy following its investment.

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

(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.

(iii) As at 31 December 2020, the group has total assets of US$45.5 million and total equity of US$40.5 million. Equity attributable to owners of the company amounted to US$39.6 million.

As can be seen from Note 8 (page 116 – Other investments), the group has investments with carrying values of US$30.7 million, up from US$26.2 million as at 31 December 2019. In FY2017, the group's US$16.4 million investments were in quoted debt investments. As at 31 December 2020, about half of the funds were invested in discretionary funds managed by a manager.

8 Other investments

The Group and the Company	2020 US$	2019 US$
Non-current investments		
Debt investments (i)	**6,012,370**	7,942,358
Unquoted investments (ii)	**1,450,095**	1,323,337
	7,462,465	9,265,695
Current investments		
Other investments (iii)	**6,946,352**	-
Funds managed by a fund manager (iv)	**15,676,359**	16,290,382
Investment in a fund (v)	**662,596**	629,139
	23,285,307	16,919,521
	30,747,772	26,185,216

(Source: company annual report)

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

What is the level of oversight provided by the board?

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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?

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

(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?**

Q3. During FY2020, the company appointed Baker Tilly Consultancy (Singapore) Pte Ltd to perform an internal audit on the company. The internal auditors plan the audit scope and schedule in consultation with management. The internal audit workplan was reviewed and approved by the audit and risk committee (ARC).

On page 35, the ARC disclosed that it has reviewed the company's risk assessment based on the internal audit reports and management controls in place. The board, with the concurrence of the ARC, is satisfied that there are adequate internal controls in the group, including financial, operational, compliance and information technology controls, and risk management systems.

(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?**

(ii) **What are some of the findings of 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?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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