

Issuer: Eidec Corporation Limited

Security: Eidec Corporation Limited

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: 100H Pasir Panjang Road, OC@Pasir Panjang, #01-01 Singapore 118524

Company Description

Eidec Corporation Limited, an investment holding company, manufactures and distributes clean air environmental technology solutions for residential, commercial, and industrial customers in Singapore, China, Malaysia, and internationally. The company operates through Clean Room Equipment, Heating Ventilation and Air-Conditioning Products, Air Purification Equipment, and Others segments. The Clean Room Equipment segment offers fan filter units, air showers, clean booths, pass boxes, clean hand dryers, clean benches, and others. It also provides value-added design services and customized cleanroom equipment. The Heating Ventilation and Air-Conditioning Products segment provides dampers, deflection grilles, and air diffusers to regulate the airflow within a confined space in commercial, residential, and industrial buildings, as well as in offshore platforms and vessels. The Air Purification Equipment segment designs, manufactures, and sells air purifiers, and fresh air purification and ventilation systems, which remove solid and gaseous pollutants from the air. The Others segment offers cooling towers. The company also provides technology consultation and services; and after-sales services. In addition, it engages in the wholesale of clean room and ventilation equipment; and agency, and import and export of industrial products, as well as in the related supporting business. The company was founded in 1984 and is headquartered in Singapore. Eidec Corporation Limited is a subsidiary of Weiye Holdings Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42Z)

1. In the Letter to Shareholders, it was also said that the group has evolved from an equipment manufacturer who designs, manufactures and supplies air environmental protection equipment to that of an air environmental protection solutions provider.

The group now offers consultancy on airflow and air quality management, customising solutions, design and manufacture of equipment, installation and after-sales maintenance services.

For FY2017, total revenue dropped 15.5% to \$14.1 million, with sales in China suffering the most although revenue from Malaysia enjoyed a healthy jump from \$0.65 million in FY2016 to \$2.4 million in FY2017.

Heating, ventilation and air-conditioning (“HVAC”) and air purification (“AP”) segments reported lower revenue due to the slowdown in both the Singapore and PRC real estate operating environment. Revenue from Cleanroom equipment (“CRE”) increased on the back of a recovery in the semiconductor industry in Singapore. The revenue by segment is shown in the table below.

REVENUE ANALYSIS

FYE 31 Dec (S\$'000)	FY2017	FY2016	YoY Change
CRE	5,740	4,017	+ 42.9%
HVAC	4,809	6,825	- 29.5%
AP	3,112	5,380	- 42.2%
Others	441	462	- 4.5%
Total Revenue	14,102	16,684	- 15.5%

(Source: Company annual report)

- (i) **Can management help shareholders understand the market share and the positioning of the group’s HVAC business in Singapore and Malaysia? What are the key attributes that allow the group to stand out against other competitors?**
- (ii) **In the CRE segment, how much of the group’s revenue is related to the sale of fan filter units (“FFUs”), the sale of other equipment and consultancy/design? What are the key opportunities in the CRE segment?**
- (iii) **As shown in Note 23(iv) (page 89 – Operating segments), the group’s main operating segments were all loss making in FY2017 and FY2016 other than AP in FY2016. Has the board considered the need to carry out a review to understand its value proposition, the cost structure and positioning in the market?**

During the year, the Group revised the presentation of the composition of the reportable segments. Accordingly, the prior year comparatives are restated.

<u>Group</u>	Revenue		Segments results	
	2017 S\$'000	2016 S\$'000 Restated*	2017 S\$'000	2016 S\$'000 Restated*
Clean room equipment	5,740	4,017	(1,045)	(822)
Heating ventilation and air-conditioning products	4,809	6,825	(381)	(445)
Air purification equipment	3,112	5,380	(614)	1,075
Others	441	462	69	(32)
	<u>14,102</u>	<u>16,684</u>	<u>(1,971)</u>	<u>(224)</u>

2. In recent months, the group has announced the following changes of its key management personnel, including:

Name	Role	Date announced	Effective Date	Reason(s) given
Mr. Darran Lim Wee Keong	Executive Director and Chief Executive Officer	26 December 2017	26 December 2017 (from 17 October 2016)	In pursuit of other opportunities
Mr. Andy Tan Kian Kok	Group Financial Controller	8 June 2017	9 June 2017 (from 30 March 2015)	In pursuit of other opportunities
Mr. Eddie Tan Meng Seah	Vice President-Operations and Clean Room Equipment Sales	21 April 2017	21 April 2017 (from 1 July 2015)	To pursue other personal interests

With the cessation of Mr. Lim, Mr Tay Meng Heng, the Chief Financial Officer of Weiye Holdings Limited (the holding company), will be appointed as acting CEO and assume the roles and responsibilities of Mr. Lim, and supported by the management team of the company.

- (i) **What is the progress of the search for the key management personnel of the group?**
- (ii) **Has the nominating committee (NC) determined the profile of CEO required to turnaround the group and to drive the profitability of the group?**

3. The ageing of loans and receivables as at 31 December 2017 was shown in Note 8 (page 78 – Trade and other receivables).

Impairment losses

The ageing of loans and receivables at the reporting date is as follows:

	Gross 2017 \$'000	Impairment losses 2017 \$'000	Gross 2016 \$'000	Impairment losses 2016 \$'000
Group				
Neither past due nor impaired	4,109	–	6,344	–
Past due 1 – 30 days	774	–	824	–
Past due 31 – 60 days	288	–	414	–
Past due 61 – 90 days	177	–	502	–
Past due more than 90 days	3,007	63	306	–
	<u>8,355</u>	<u>63</u>	<u>8,390</u>	<u>–</u>
Company				
Neither past due nor impaired	4,864	–	5,353	–

The Group and Company believe that the unimpaired amounts are still collectible in full, based on the historical payment behaviour and analysis of customer credit risk.

(Source: Company annual report)

- (i) **Can management provide a more detailed breakdown to the \$3.0 million receivables that are past due more than 90 days? Please provide the upper limit and show the number of debtors, the business segment and the country of operations of the debtors.**
- (ii) **What were the extenuating circumstances that led to such a big jump in the amount of receivables that are past due by more than 90 days?**
- (iii) **Can management further elaborate on the reasons why it had deemed that the unimpaired amounts are still collectible in full?**
- (iv) **What is the audit committee's role in overseeing the group's credit risk and the assessment of customers' creditworthiness?**