Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Eindec Corporation Limited

Stock code: 42Z

Meeting details:
Date: 22 April 2022
Time: 10.00 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. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **Cleanroom equipment ("CRE") segment:** Revenue from the segment declined by 31.3% year-on-year to $3.59 million in FY2021 as project tenders were delayed due to the new waves of COVID-19. **Can management help shareholders better understand the opportunities in the CRE segment in the next 18-24 months? How will management be securing new contracts in the buoyant CRE segment?**

(ii) **Air purification integrated solution segment ("AP"): What were the general level of satisfaction and common feedback from the residents of Luxus Hills which incorporated the group's proprietary air purification systems in Singapore? What is the typical size of an AP project in China? What is the group's competitive advantage that allows it to win projects? What is management's view of the real estate market in China given that management has attributed the decline in AP revenue in 2021 to the slowdown in the real estate sector in China?**

(iii) **Heating, ventilation and air-conditioning ("HVAC"):** Following the delay of delivery in secured projects due to COVID-19 in 2020, the HVAC segment reported a 40% increase in revenue as projects were completed in 2021. The group specialises in the design, manufacture, and distribution of HVAC equipment and continues to build on its strong track record since 1984. HVAC products are essentially dampers, deflection grilles and air diffusers installed to channel and regulate the airflow into the environment within the building to ensure efficient distribution of air within the confined space. **What is the profile of the new customer from Hong Kong in the HVAC segment? Are there opportunities to secure repeat orders?**

(iv) **Profitability:** Despite the decrease in revenue, gross profit margin increased from 21.1% in FY2020 to 23.1% in FY2021 as the group transitions from an equipment manufacturer to a customised clean environmental air solutions provider. Despite the improvement in gross profit margin, the group reported a larger loss of $(675,000) for FY2021 (FY2020: $(118,000)). Loss attributable to owners of the company was higher at $(953,000) in FY2021. **Is the group operating at an efficient level? What are the operational milestones required to achieve breakeven?** As shown in Note 25 (page 97 – Operating segments), all three business units reported segmental losses in FY2021.

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Q2. Despite a 17.5% decline in revenue to $16.84 million in FY2021, the group's trade and other receivables increased by 28% to $11.36 million as at 31 December 2021 from $8.85 million a year ago. Cash and cash equivalents amounted to $1.15 million as at 31 December 2021.

As shown in Note 15 (page 86 – Trade and other receivables), trade receivables from third parties increased to $9.08 million as at 31 December 2021 from $8.37 million a year ago.

15 Trade and Other Receivables

	Group		Company	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Trade receivables				
- third parties	9,077	8,368	-	-
- related corporations	32	54	-	-
Non-trade amounts due from:				
- ultimate holding company	2	1	-	-
- subsidiaries	-	-	2,434	2,896
Amount due from non-controlling shareholder of a subsidiary	1,557	-	-	-
Other receivables and deposits	374	219	1	5
	11,042	8,642	2,435	2,901
Tax recoverable	40	15	-	-
Prepayments	280	197	10	9
	11,362	8,854	2,445	2,910

Trade and other receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

Non-trade amounts due from ultimate holding company, subsidiaries and amount due from non-controlling shareholder of a subsidiary are unsecured, interest-free, and are repayable on demand.

(Source: company annual report)

Based on the company's disclosure in Note 26 (page 103 – Financial instruments: Financial risk management and policies: Credit risk), it would appear that nearly $8 million of the trade receivables is not past due and the majority of the balance is less than 30 days past due.

(i) **Nevertheless, can management help shareholders understand if it has experienced slower collection of trade receivables?**

(ii) **Can the group confirm that the debtors with large outstanding trade receivables are the AP customers that are in the PRC?**

(iii) **Are the majority of these customers long-time customers of the group?**

In addition, the amount of $1.58 million due from the non-controlling shareholder of a subsidiary remains outstanding as at 31 December 2021.

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(iv) **Can management identify the subsidiary and the non-controlling shareholder in question?**

(v) **What are the underlying reasons that the amount of $1.58 million is due from the non-controlling shareholder?**

(vi) **What is the financial status of the non-controlling shareholder? What are the efforts by management and by the subsidiary to collect the amount from the non-controlling shareholder?**

Q3. On 19 December 2019, the company appointed Ms. Queenie Foo as the acting CEO to manage and oversee the overall business and activities of the group. Ms. Foo was first appointed as the CFO on 16 August 2017.

Mr. Tay Meng Heng was the acting CEO before Ms. Queenie Foo's appointment as acting CEO. Mr. Tay held the position of acting CEO following the resignation of the then CEO of the company on 26 December 2017.

The company stated in the annual report (page 18) that it is in the midst of identifying a suitable candidate to fill the position of the CEO.

(i) **Can the board/nominating committee (NC) help shareholders better understand the profile of the CEO sought for?**

(ii) **What were the efforts by the company/NC in the past 2 years to recruit a CEO? How many candidates were shortlisted and/or interviewed?**

Ms Queenie Foo double hats as the acting CEO and the CFO, leading a group with businesses in AP, CRE and HVAC in Singapore, China, Malaysia and several other countries.

(iii) **Has the board/NC evaluated if there is sufficient bandwidth and management depth to allow the group to achieve its strategic goals, especially during such challenging times?**

^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.

^ 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 may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

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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