

EINDEC CORPORATION LIMITED AND ITS SUBSIDIARIES

(Company Registration No. 201508913H)

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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Unaudited Financial Statements for the Financial Year Ended 31 December 2019

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Full Year Ended 31.12.2019 (unaudited) S\$'000	Full Year Ended 31.12.2018 (audited) S\$'000	Increase/ (Decrease) %
Group			
Revenue	11,248	10,439	8
Cost of sales	(8,325)	(7,133)	17
Gross profit	2,923	3,306	(12)
Other income	437	39	n.m.
Administrative expenses	(5,177)	(5,095)	2
Other operating expenses	(5)	(680)	(99)
Results from operating activities	(1,822)	(2,430)	(25)
Finance income	53	65	(18)
Finance costs	(176)	(182)	(3)
Net finance cost	(123)	(117)	5
Loss before income tax	(1,945)	(2,547)	(24)
Tax income	298	80	n.m.
Loss for the year	(1,647)	(2,467)	(33)

Loss per share attributable to owners of the Company

	Full Year Ended 31.12.2019 (unaudited) Singapore Cents	Full Year Ended 31.12.2018 (audited) Singapore Cents	Increase/ (Decrease) %
Group			
Basic and diluted	(1.53)	(2.29)	(33)

n.m. denotes not meaningful

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Statement of Comprehensive Income

	Full Year Ended 31.12.2019 (unaudited) S\$'000	Full Year Ended 31.12.2018 (audited) S\$'000	Increase/ (Decrease) %
Group			
Loss for the year	(1,647)	(2,467)	(33)
Other comprehensive income			
<i>Items that will may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	(144)	(8)	n.m.
Total comprehensive income for the year, net of tax	(1,791)	(2,475)	(28)

1(a)(ii) Notes to consolidated statement of comprehensive income

The loss before income tax is arrived at after charging/ (crediting) the following items:

	Full Year Ended 31.12.2019 (unaudited) S\$'000	Full Year Ended 31.12.2018 (audited) S\$'000	Increase/ (Decrease) %
Group			
Depreciation of property, plant and equipment ⁽¹⁾	788	419	88
Gain on disposal of plant and equipment	(1)	(7)	(86)
Impairment of intangible assets	-	705 ⁽²⁾	(100)
Amortisation of intangible assets ⁽³⁾	-	121	(100)
Impairment loss on obsolete inventory	100	-	n.m.
Interest income	(53)	(65)	(18)
Interest expense	176	182	(3)
Plant and equipment written off	5	7	(29)
(Reversal of) / Expected credit loss on trade receivables	(45)	18	n.m.
Net foreign exchange gain	(69)	(47)	47

Notes:

⁽¹⁾ Included in cost of sales and administrative expenses.

⁽²⁾ During the financial year ended 31 December 2018 ("FY2018"), as the recoverable amount of the non-financial assets of the Group's subsidiary, Eindec (Shenzhen) Environmental

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Technology Co., Ltd, was estimated to be below its carrying amount, the Group recorded a one-time impairment loss of intangible assets of S\$0.71 million in accordance with *SFRS(I) 1-36 Impairment of Assets*.

- ⁽³⁾ Intangible assets, relating to the non-financial assets of the Group's subsidiary, Eindec (Shenzhen) Environmental Technology Co., Ltd, was fully amortised in FY2018.

n.m. denotes not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	As at 31.12.2019 (unaudited) S\$'000	As at 31.12.2018 (audited) S\$'000	As at 31.12.2019 (unaudited) S\$'000	As at 31.12.2018 (audited) S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	5,258	4,373	-	-
Intangible assets	171	-	-	-
Subsidiaries	-	-	9,300	9,300
Total non-current assets	5,429	4,373	9,300	9,300
Current assets				
Inventories	3,136	3,840	-	-
Trade and other receivables	4,889	3,994	3,375	4,841
Income tax recoverable	-	68	-	-
Other investment	1,738	2,292	-	-
Cash and bank balances	1,656	2,894	67	30
Total current assets	11,419	13,088	3,442	4,871
Total assets	16,848	17,461	12,742	14,171
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	14,917	14,917	14,917	14,917
Reserves	(10,780)	(10,636)	-	-
Retained earnings / (Accumulated losses)	3,382	5,029	(4,283)	(3,759)
Total equity	7,519	9,310	10,634	11,158

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	<u>Group</u>		<u>Company</u>	
	As at	As at	As at	As at
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	(unaudited)	(audited)	(unaudited)	(audited)
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities				
Loans and borrowings	653	76	-	-
Deferred government grant	-	98	-	-
Deferred tax liabilities	173	181	-	-
Total non-current liabilities	826	355	-	-
Current liabilities				
Loans and borrowings	2,078	926	-	-
Trade and other payables	5,933	6,757	2,108	3,013
Contract liabilities	463	57	-	-
Income tax payable	29	56	-	-
Total current liabilities	8,503	7,796	2,108	3,013
Total equity and liabilities	16,848	17,461	12,742	14,171

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Group			
As at 31.12.2019 (unaudited)		As at 31.12.2018 (audited)	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,078	-	926	-

Amount repayable after one year

Group			
As at 31.12.2019 (unaudited)		As at 31.12.2018 (audited)	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
653	-	76	-

Details of any collateral

The Group's loans and borrowings comprised finance leases and right-of-use liabilities.

- (a) Bank overdrafts and loans are secured by a charge over the following:
 - (i) legal mortgage over the Group's freehold property; and
 - (ii) deed of debenture provided by a subsidiary for Malaysia Ringgit 10 million.
- (b) The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	Full Year Ended 31.12.2019 (unaudited) S\$'000	Full Year Ended 31.12.2018 (audited) S\$'000
Cash flows from operating activities		
Loss before tax	(1,945)	(2,547)
Adjustments for:		
Amortisation of intangible assets	-	121
(Reversal of) / Expected credit loss on trade receivables	(45)	18
Depreciation of property, plant and equipment	355	419
Depreciation on right-of-use assets	433	-
Plant and equipment written off	5	7
Impairment of intangible assets	-	705
Impairment loss on inventories	100	-
Income from government grant	(98)	-
Gain on disposal of plant and equipment	(1)	(7)
Interest expenses	176	182
Interest income	(53)	(65)
Unrealised exchange differences	(69)	(47)
	(1,142)	(1,214)
Changes in:		
Inventories	493	(404)
Trade and other receivables	(850)	4,463
Contract liabilities	406	(300)
Trade and other payables	(688)	(754)
Cash generated (used in) / from operations	(1,781)	1,791
Interest received	53	12
Tax paid	(41)	-
Tax refund	372	-
Net cash (used in) / from operating activities	(1,397)	1,803

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Group	Full Year Ended 31.12.2019 (unaudited) S\$'000	Full Year Ended 31.12.2018 (audited) S\$'000
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	1	23
Purchase of plant and equipment ⁽¹⁾	(206)	(324)
Expenditure on intangible assets	(171)	(188)
Short-term financial instrument	554	(2,292)
Net cash from / (used in) investing activities	178	(2,781)
Financing activities		
Interest paid	(112)	(82)
Amount due to ultimate holding company (non-trade)	(200)	-
Proceeds from short-term financing	456	-
Repayment of lease liabilities	(460)	(56)
Repayment of bank loans	-	(52)
Net cash used in financing activities	(316)	(190)
Net decrease in cash and cash equivalents	(1,535)	(1,168)
Cash and cash equivalents at beginning of financial year	2,280	3,419
Effects of exchange rate changes on cash and cash equivalents	45	29
Cash and cash equivalents at end of financial year	790	2,280
Group		
Cash and cash equivalents as per statement of financial position comprising:		
Cash at bank	1,656	2,144
Fixed deposits	-	750
Sub-total	1,656	2,894
Bank overdraft	(866)	(614)
Cash and cash equivalents as per consolidated statement of cash flows	790	2,280

Note:

- ⁽¹⁾ During the financial year ended 31 December 2019, the Group acquired plant and equipment with an aggregate cost of S\$0.65 million (FY2018: S\$0.46 million) of which S\$0.21 million (FY2018: S\$0.32 million) was paid in cash and S\$0.44 million (FY2018: S\$0.14 million) was acquired by means of finance lease.

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Merger reserve	Translation reserve	Statutory Reserve	Retained earnings	Total
Group (unaudited)	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2019 (audited)	14,917	(9,138)	(1,622)	124	5,029	9,310
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(1,647)	(1,647)
Other comprehensive income for the year, net of tax	-	-	(144)	-	-	(144)
Total comprehensive income for the year	-	-	(144)	-	(1,647)	(1,791)
Balance at 31 December 2019	14,917	(9,138)	(1,766)	124	3,382	7,519

	Share capital	Merger reserve	Translation reserve	Statutory Reserve	Retained earnings	Total
Group (audited)	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	14,917	(9,138)	(1,614)	124	7,596	11,885
Adjustment on initial application of SFRS(I) 9 (net of tax)	-	-	-	-	(100)	(100)
Adjusted balance at 1 January 2018	14,917	(9,138)	(1,614)	124	7,496	11,785
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(2,467)	(2,467)
Other comprehensive income for the year, net of tax	-	-	(8)	-	-	(8)
Total comprehensive income for the year	-	-	(8)	-	(2,467)	(2,475)
Balance at 31 December 2018	14,917	(9,138)	(1,622)	124	5,029	9,310

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

	Share capital	Accumulated losses	Total
Company (unaudited)	S\$'000	S\$'000	S\$'000
Balance at 1 January 2019	14,917	(3,759)	11,158
Loss for the year, representing total comprehensive loss for the year	-	(524)	(524)
Balance at 31 December 2019	14,917	(4,283)	10,634

	Share capital	Accumulated losses	Total
Company (audited)	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	14,917	(3,104)	11,813
Loss for the year, representing total comprehensive loss for the year	-	(655)	(655)
Balance at 31 December 2018	14,917	(3,759)	11,158

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and subsidiary holdings, of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Company	
	No. of shares ('000)	Issued and paid up share capital (\$'000)
<u>Ordinary shares</u>		
Balance as at 31 December 2019 and 30 June 2019	107,700	14,917

The Company did not have any outstanding options, convertible securities, treasury shares and/or subsidiary holdings as at 31 December 2019 and 31 December 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Company	
	31.12.2019	31.12.2018
Total number of issued shares excluding treasury shares ('000)	107,700	107,700

There were no treasury shares as at 31 December 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have treasury shares during and as at the end of the financial year ended 31 December 2019 ("FY2019").

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1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of FY2019.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures in this announcement have not been audited or reviewed by Company's auditors.

3 Where the figures have been audited or reviewed, the auditor's report (including any modifications or emphasis of a matter).

Not applicable.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable. The latest audited financial statements of the Company and the Group for the financial year ended 31 December 2018 are not subject to any adverse opinion, qualified opinion or disclaimer of opinion.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in paragraph 5, the accounting policies and methods of computation applied by the Group for the financial statements for the current financial year reported on are consistent with those used in its most recently audited financial statements for FY2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

The Group has prepared the Group's financial statements for FY2019 in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and has adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2019:

- *SFRS(I) 16 Leases*

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- *SFRS(I) INT 23 Uncertainty over Income Tax Treatments*
- *Amendments to SFRS(I) 3 and SFRS(I) 11 Previously Held Interest in a Joint Operation*
- *Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation*
- *Amendments to SFRS(I) 1-12 Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- *Amendments to SFRS(I) 1-19 Plan Amendment, Curtailment or Settlement*
- *Amendments to SFRS(I) 1-23 Borrowing Costs Eligible for Capitalisation*
- *Amendments to SFRS(I) 1-28 Long-Term Interests in Associates and Joint Ventures*

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group except for SFRS(I) 16.

Application of SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“**ROU**”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group has adopted SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach, with no restatement of comparative information. In compliance with SFRS(I) 16, the Group and the Company has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

ROU assets of S\$0.67 million as at 31 December 2019 were mainly related to leases of the offices and warehouses occupied by the Group in various locations. Accordingly, the Group recorded corresponding increase in current and non-current ROU liabilities (included in loans and borrowings) of S\$0.31 million and S\$0.36 million respectively.

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6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Loss per ordinary share of the Group for the financial year based on net loss attributable to owners of the Company are as follows:-

	Group	
	Full Year Ended	Full Year Ended
	31.12.2019 (unaudited)	31.12.2018 (audited)
Basic and diluted loss per ordinary share (Singapore cents)	(1.53)	(2.29)
Weighted average number of ordinary shares in issue ('000)	107,700	107,700

Loss per ordinary share for FY2019 and FY2018 are calculated based on net loss attributable to the owners of the Company for the respective financial years divided by the weighted average number of ordinary shares in issue during the respective financial years.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	31.12.2019 (unaudited)	31.12.2018 (audited)	31.12.2019 (unaudited)	31.12.2018 (audited)
Net asset value per share based on total number of issued ordinary shares excluding treasury shares (Singapore cents)	6.98	8.64	9.87	10.36

The net asset value per ordinary share of the Group and the Company as at 31 December 2019 and 31 December 2018 are calculated based on the total number of issued ordinary shares of 107,700,000.

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- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

8(a) Income Statement

(i) Revenue, cost of sales and gross profit

The Group reported a marginal increase of S\$0.81 million or 8% in revenue, from S\$10.44 million in FY2018 to S\$11.25 million in FY2019.

The Group recorded an increase in revenue of S\$1.01 million or 23% from Heating, Ventilation and Air Conditioning (“HVAC”) segment, mainly due to partial delivery of projects secured in FY2018. However, the Group secured less projects in FY2019, largely due to the slowdown in residential and non-residential constructions in Singapore. Revenue from Cleanroom Equipment segment in FY2019 increased marginally by S\$0.25 million or 6% as compared to FY2018. The aforementioned increases in revenue were partially offset by a significant decline in revenue from Air Purification segment by S\$0.51 million or 41%, as the Group continued to be affected by challenging property market condition in the People’s Republic of China (“PRC”).

Cost of sales increased by 17%, from S\$7.13 million in FY2018 to S\$8.33 million in FY2019, mainly due to increase in labour cost and production cost resulting from increment in levy and minimum wages of foreign workers. Due to unforeseen delay in our recruitment of foreign workers in Malaysia, the Group had to outsource certain processes or engage contract workers. In addition, slowdown in private residential property market in Singapore and economic uncertainties affected the profitability of the projects undertaken by the Group.

As a result, the Group’s gross profit decreased by 12%, from S\$3.31 million to S\$2.92 million, and gross profit margin decreased by 6 percentage points, from 32% in FY2018 to 26% in FY2019.

(ii) Other income

The Group recorded a significant increase in other income of S\$0.40 million, from S\$39,000 in FY2018 to S\$0.44 million in FY2019, mainly due to (i) receipt of government grant of S\$0.14 million; (ii) recognition of government grant of S\$98,000 as other income upon the completion of a research and development for a technology; (iii) foreign exchange gain of S\$0.11 million due to depreciation of Malaysia Ringgit against Singapore

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Dollar; and (iii) reversal of expected credit loss on trade receivables of S\$45,000 in accordance with *SFRS(I) 9 Financial Instruments*, due to lower possibility of default events within the 12 months after the reporting date.

(iii) Administrative expenses

Administrative expenses increased marginally by 2%, from S\$5.10 million in FY2018 to S\$5.18 million in FY2019. The increase was mainly due to (i) increase in research and development expenses for industrial dampers, in order to comply with the latest test standards and new product development for air purification systems; and (ii) increase in head counts due to the expansion of the engineering and sales teams.

Depreciation expense increased by S\$0.37 million, from S\$0.42 million in FY2018 to S\$0.79 million in FY2019, mainly due to adoption of SFRS(I) 16 (as highlighted in Section 5 of this announcement) where the Group recorded depreciation of ROU assets amounted to S\$0.43 million, partially offset by decrease in depreciation of plant and equipment due to full depreciation of certain plant and equipment during FY2019.

(iv) Other operating expenses

Other operating expenses of S\$0.68 million in FY2018 mainly consist of impairment of intangible assets amounting to S\$0.70 million. There was no such expense in FY2019.

(v) Finance income

Finance income decreased by 18% from S\$65,000 in FY2018 to S\$53,000 in FY2019, in line with the decrease in short-term financial instrument, which relates to a short-term capital protected investments with bank.

(vi) Tax income

The Group recognised tax credit of S\$0.30 million in FY2019, mainly due to overprovision of prior year tax expenses by the Company's subsidiary in the PRC.

As a result of the above, the Group reported a loss of S\$1.65 million in FY2019, as compared to S\$2.47 million in FY2018.

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8(b) Statement of financial position

As a result of the losses reported by the Group in FY2019 and the financial effect of applying SFRS(I) 16 (as explained in Section 5 of this announcement), the Group's working capital and net assets decreased in FY2019. As at 31 December 2019, the Group recorded positive working capital of S\$2.90 million and the net asset value per share of 6.98 Singapore cents.

(i) **Non-current assets**

Property, plant and equipment ("PPE") increased from S\$4.37 million as at 31 December 2018 to S\$5.26 million as at 31 December 2019. The increase was mainly due to (i) adoption of SFRS(I) 16, as highlighted in Section 5 of this announcement, which led to lease obligations being capitalised as ROU assets of S\$1.04 million; (ii) new purchases of plant and equipment of S\$0.65 million, partially offset by (iii) depreciation of ROU assets of S\$0.43 million; and (iv) depreciation charge of PPE of S\$0.36 million.

The Group recognized intangible assets of S\$0.17 million for the investment in enterprise resource planning ("ERP") software for subsidiaries in Singapore and Malaysia.

As a result of the above, non-current assets increased by S\$1.05 million, from S\$4.38 million as at 31 December 2018 to S\$5.43 million as at 31 December 2019.

(ii) **Current assets**

Current assets decreased by S\$1.67 million, from S\$13.09 million as at 31 December 2018 to S\$11.42 million as at 31 December 2019, mainly due to decrease in inventories, short-term financial instrument and cash and bank balances, partially offset by increase in trade and other receivables.

Inventories as at 31 December 2019 decreased by S\$0.70 million or 18%, mainly due to conversion of work-in-progress to finished goods which were subsequently delivered in FY2019, and the impairment of obsolete inventories amounting to S\$0.10 million, as disclosed in Section 1(a)(ii) of this announcement.

Trade and other receivables increased by S\$0.90 million or 23%, from S\$3.99 million as at 31 December 2018 to S\$4.89 million as at 31 December 2019. Due to slow recovery of overdue receivables in FY2019, the Group's debtor turnover days decreased from 124 days as at 31 December 2018 to 143 days as at 31 December 2019.

Other investments of S\$1.74 million as at 31 December 2019 relates to investment in short-term capital protected investment with banks. The decrease in other investment of S\$0.56 million or 24% was due to partial redemption of short-term financial instruments for working capital purpose.

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Cash and bank balances decreased by S\$1.24 million or 43%, from S\$2.89 million as at 31 December 2018 to S\$1.66 million as at 31 December 2019. Please refer to Section 8(c) below on the statement of cash flows for explanations on the decrease in cash and cash equivalents of the Group.

(iii) Non-current liabilities

Non-current liabilities increased by S\$0.47 million or 133%, from S\$0.36 million as at 31 December 2018 to S\$0.83 million as at 31 December 2019, mainly due to increase in loans and borrowings, partially offset by decrease in deferred government grant income.

Loans and borrowings, which comprised finance leases and ROU liabilities, increased from S\$76,000 as at 31 December 2018 to S\$0.64 million as at 31 December 2019, mainly due to recognition of ROU liabilities of S\$0.36 million as a result of the application of SFRS(I) 16. Please refer to section 5 of this announcement for further details.

Deferred government grant income of S\$98,000 as at 31 December 2018 was fully recognised as an income in FY2019, and accordingly, the Group recorded a NIL balance as at 31 December 2019.

(iv) Current liabilities

Current liabilities increased by S\$0.70 million or 9%, from S\$7.80 million as at 31 December 2018 to S\$8.50 million as at 31 December 2019, mainly due to increase in loan and borrowings and contract liabilities, partially offset by decrease in trade and other payables.

Loans and borrowings increased from S\$0.93 million as at 31 December 2018 to S\$2.08 million as at 31 December 2019, mainly due to (i) net increase in the utilisation of credit facilities of S\$0.46 million; (ii) net increase in finance lease of S\$0.13 million to finance the purchase of plant and equipment and (iii) the recognition of ROU liabilities of S\$0.31 million (as explained in Section 8b(iii) of this announcement).

Increase in contract liabilities of S\$0.41 million was mainly due to receipt of advance payment from customer for the on-going projects.

Trade and other payables decreased by S\$0.83 million, from S\$6.76 million as at 31 December 2018 to S\$5.93 million as at 31 December 2019, mainly due to settlement of trade and other payables of S\$0.69 million as well as repayment of loan to ultimate holding company of S\$0.20 million.

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8(c) Statement of cash flows

Net cash used in operating activities in FY2019 was S\$1.40 million. This was mainly due to (i) loss before changes in working capital of S\$1.14 million; (ii) decrease in trade and other payables of S\$0.69 million, and (iii) increase in trade and other receivables of S\$0.85 million, partially offset by (i) increase in contract liabilities of S\$0.41 million; (ii) decrease in inventories of S\$0.49 million, and (iii) tax refund received amounted to S\$0.37 million.

Net cash from investing activities in FY2019 was S\$0.18 million, mainly due to (i) redemption of short-term capital protected investments of S\$0.55 million, partially offset by purchase of plant and equipment of S\$0.21 million and investment in ERP software of S\$0.17 million.

Net cash used in financing activities in FY2019 was S\$0.32 million, mainly due to (i) repayment of lease liabilities of S\$0.46 million; (ii) repayment of loan to ultimate holding company of S\$0.20 million; and (iii) interest paid to financial institutions of S\$0.11 million, partially offset by proceeds from short-term financing of S\$0.46 million.

As a result, the Group used cash and cash equivalents of S\$1.54 million in FY2019. The cash and cash equivalents as at 31 December 2019 amounted to S\$0.79 million.

9 **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement has been previously disclosed to shareholders.

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10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Singapore's construction demand for financial year 2020 ("FY2020") is expected to remain strong, projected by the Building and Construction Authority ("BCA")¹. The public sector construction demand is expected to range between S\$17.5 billion to S\$20.5 billion (2018: S\$19 billion), and the private sector construction demand is projected to be between S\$10.5 billion and S\$12.5 billion (2018: S\$14.4 billion). Notwithstanding the positive business outlook for the construction sector in FY2020, the Group anticipates the pressure on margin will persist due to insufficient building construction demand locally.

The COVID-19 outbreak is anticipated to worsen the already challenging market condition for our air purification business in the PRC. The slowdown in industries and control measures in place to contain the widespread of the COVID-19 virus inevitably affects the economy and the disrupting supply chains. Due to the long shutdown of business amidst festive season, the Group foresees the air purification segment will underperform until the situation improves.

The outbreak of the contagious disease, COVID-19, is expected to have a significant impact on the economy of Singapore for the next couple of quarters². The Ministry of Trade and Industry has downgraded Singapore's 2020 GDP growth forecast range to "-0.5% to 1.5%", due to COVID-19 outbreak³. As the COVID-19 situation is still evolving, there is a significant degree of uncertainty over the length and severity of the outbreak, and hence its overall impact on the Singapore economy. As such, the outbreak may have an adverse impact on our Group's business operations and consequently have an adverse effect on our Group's financial condition and operating results. Amid concerns about the ongoing COVID-19 outbreak and the heightened uncertainties of the global economy, the Group will strive to drive the business with improved efficiencies, improving processes with latest technologies in its work place and better cost management to ride the waves of uncertainties.

As at the date of this announcement, the Group has current outstanding balance-of-works on hand of approximately S\$6.45 million.

¹ <https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2020/01/08/singapore's-construction-demand-for-2020-expected-to-remain-strong>

² https://www.channelnewsasia.com/news/singapore/covid19-significant-impact-economy-lee-hsien-loong-12435256?cid=h3_referral_inarticlelinks_24082018_cna

³ <https://www.channelnewsasia.com/news/singapore/singapore-cuts-2020-gdp-forecast-covid-19-economy-12440764>

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11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended/declared for the current financial period reported on?

No dividend has been declared or recommended for FY2019.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend recommended/declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for FY2019, as the Group recorded net loss in FY2019 and the Board of Directors deems it appropriate to conserve funds for the Group's business activities.

13 If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group had obtained a general mandate from shareholders for IPTs at the Company's extraordinary general meeting held on 27 April 2018 and was last renewed at the annual general meeting held on 15 April 2019. Please refer to the addendum to the 2018 annual report of the Company dated 29 March 2019 for further details.

There were no interested person transactions conducted under the IPT Mandate pursuant to Rule 920 that were more than S\$100,000 in FY2019.

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

For management purpose, the Group is organized into business units based on the products and services offered, and has three reportable operating segments as follows:

(i) Clean room equipment ("CRE")

A clean room provides an environment where the humidity, temperature and particles in the air are precisely controlled. Clean room equipment includes fan filter units, air showers, clean booths, pass boxes, clean hand dryers and clean benches, amongst others.

(ii) Heating ventilation and air-conditioning products ("HVAC")

Heating ventilation and air-conditioning products are essentially deflection grilles and air diffusers installed to channel and regulate the airflow into the environment within the building to ensure an even distribution of air within the confined space.

(iii) Air purification equipment ("Air Purification")

Air purification equipment (also referred to as air cleaners) are electrical devices that remove solid and gaseous pollutants from the air such as formaldehyde and PM2.5 which may pose adverse health risks that include breathing difficulties, asthma and allergies. Through the function of air filters or sterilizing systems built into each air purification equipment, the concentration of dust, contaminants, fine particles and volatile organic compounds in the air are reduced to the benefit of individuals within the immediate vicinity.

(iv) Others

Others refers to cooling towers which is complementary to the heating ventilation and air-conditioning products in Singapore.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

There are no inter-segment sales within the Group.

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The following is an analysis of the Group's revenue and results by reportable segment:

Group	Revenue		Net Loss	
	FY2019	FY2018	FY2019	FY2018
	(unaudited)	(audited)	(unaudited)	(audited)
	S\$'000	S\$'000	S\$'000	S\$'000
CRE	4,450	4,203	(860)	(606)
HVAC	5,462	4,451	(211)	(123)
Air Purification	733	1,240	(976)	(1,814)
Others	603	545	84	86
	11,248	10,439	(1,963)	(2,457)
Other income			199	33
Other expenses			(5)	(23)
Finance costs			(176)	(182)
Loss before income tax			(1,945)	(2,547)
Tax income			298	80
Loss for the year			(1,647)	(2,467)

Segment Assets	As at	As at
	31.12.2019	31.12.2018
	(unaudited)	(audited)
	S\$'000	S\$'000
CRE	2,102	1,339
HVAC	3,825	4,170
Air Purification	3,749	5,444
Others	110	139
Total segment assets	9,786	11,092
Unallocated assets	7,062	6,369
Consolidated total assets	16,848	17,461

Segment Liabilities

CRE	599	436
HVAC	131	85
Air Purification	2,002	2,768
Others	70	188
Total segment liabilities	2,802	3,477
Unallocated liabilities	6,527	4,674
Consolidated total liabilities	9,329	8,151

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Other segment information

	<u>CRE</u>		<u>HVAC</u>		<u>Air Purification</u>		<u>Others</u>		<u>Unallocated</u>	
	FY2019 (unaudited)	FY2018 (audited)	FY2019 (unaudited)	FY2018 (audited)	FY2019 (unaudited)	FY2018 (audited)	FY2019 (unaudited)	FY2018 (audited)	FY2019 (unaudited)	FY2018 (audited)
<u>Group</u>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
(Reversal of) / Expected credit loss on trade receivables	-	3	-	9	-	6	-	-*	(45)	-
Impairment loss of intangible assets	-	-	-	-	-	705	-	-	-	-
Amortisation of intangible assets	-	-	-	-	-	121	-	-	-	-
Depreciation of property, plant and equipment	130	138	206	148	5	114	14	19	-	-
Depreciation on ROU	119	-	143	-	140	-	31	-	-	-
Capital expenditure	-	-	-	-	-	188	-	-	649	463

* Amount less than S\$1,000

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Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of these assets.

Group	Revenue		Non-Current Assets	
	FY2019	FY2018	FY2019	FY2018
	(unaudited)	(audited)	(unaudited)	(audited)
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	7,522	6,696	1,131	539
PRC	732	1,223	66	39
Malaysia	276	1,600	4,232	3,795
Others	2,718	920	-	-
	11,248	10,439	5,429	4,373

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to section 8 of this announcement.

16. A breakdown of sales

	Group		Increase/ (Decrease)
	FY2019	FY2018	
	S\$'000	S\$'000	%
(a) Sales reported for first half of year	5,537	5,623	(2)
(b) Operating loss after tax before deducting minority interests reported for first half year	(833)	(515)	62
(c) Sales reported for second half of year	5,711	4,816	19
(d) Operating loss after tax before deducting minority interests reported for second half year	(814)	(1,952)	(58)

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17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2019	FY2018
	S\$'000	S\$'000
Ordinary	-	-
Preference	-	-
Total	-	-

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10) of the Listing Manual – Rules of Catalist.

There is no relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) occupying a managerial position in the issuer or any of its principal subsidiaries.

19 Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company confirms that it has procured all the required undertakings under Rule 720(1) of the Catalist Rules from all the Directors and Executive Officers of the Company in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD

Zhang Wei
Non-Executive Chairman

27 February 2020