



ASIA ENTERPRISES HOLDING LIMITED

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(Company Registration No. 200501021H)
(Incorporated in the Republic of Singapore)

**(I) ANNUAL GENERAL MEETING TO BE HELD ON 22 APRIL 2021
- RESPONSES TO QUESTIONS FROM SHAREHOLDERS**

**(II) ANNUAL REPORT FOR YEAR ENDED 31 DECEMBER 2020 (“ANNUAL REPORT”)
- RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) (“SIAS”)**

The Board of Directors of Asia Enterprises Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to thank shareholders for submitting their questions in advance of the Annual General Meeting (“AGM”) to be held on 22 April 2021 at 10.00 a.m. by way of electronic means.

The Company has also received a set of questions from SIAS in relation to its Annual Report. While there is no mandatory requirement for the Company to respond to the questions raised by SIAS, the Company hereby provides responses to SIAS’ questions.

The following are the Company’s responses to substantial and relevant questions that were raised by shareholders and SIAS.

QUESTIONS FROM THE COMPANY’S SHAREHOLDERS

Q1. Do you see the strong demand from Indonesia shipyards continuing into 2021?

For the financial year ended 31 December 2020 (“FY2020”), the Group experienced higher order volume from shipyards in Indonesia compared to FY2019. This was attributed mainly to stronger demand in the first half of FY2020 as there was a moderation in orders from customers year-on-year during the second half of FY2020.

While global economic activities appear to be on the mend, business conditions could vary across different sectors, and uncertainties arising from COVID-19 situation and geopolitical tensions may continue to pose challenges to the course of economic recovery. Hence, the Group maintains a cautious stance of the business outlook for 2021.

Q2. What is the current construction end-demand as a percentage of pre-Covid times?

Before the COVID-19 outbreak, the Group recorded sales of S\$3.9 million from the construction sector in FY2019. This fell 72% to sales of S\$1.1 million in FY2020. We supply steel materials mainly for infrastructure projects in the construction sector. Demand from our customers in the construction sector is expected to gradually recover with the increase in activities but it has yet to return to pre-pandemic level at present.

Q3. What measures is the Company taking to mitigate the higher steel prices since end-2020?

The Group’s selling prices and purchasing costs of steel materials are influenced by international steel market prices. Hence, in an environment of rising steel prices, our purchasing costs will increase while selling prices also tend to move in a similar fashion subject to other local market factors such as competition and demand conditions. There is also a timing difference in the impact on costs and selling prices due to the delivery lead time from steel mills.

To-date, international steel prices have continued on an uptrend since the end of 2020. The Group continues to adopt a prudent inventory management, that is, we restock steel materials based on customers' ongoing and anticipated needs to avoid excessive inventory holding costs. We also enforce tight credit control to defend the strength of our financial position. It is imperative to maintain our financial strength to ensure we are in a position to increase inventory holding as appropriate, and endure any slower business periods as higher steel prices could affect the economic viability of end-users' projects and affect their steel purchasing patterns.

Q4. Will the company have more profit in year 2021 than in any of past 5 years?

The Company does not have a practice of providing profit guidance or forecast on its financial results.

QUESTIONS FROM SIAS

Q1. What percentage of the FY2020 sales was from existing customers? Has the group been able to secure new customers, especially when most borders are closed to prevent the spread of COVID-19? Can the group elaborate further on its strategy to acquire new customers?

The majority of the Group's sales in FY2020 was derived from existing customers, with the remaining sales from new customers. The Group's sales team is headed by our General Manager. Our sales team is responsible for servicing existing accounts and also seek new business opportunities based on the respective sectors and geographical territories under their charge.

Q2. Which products can be used by customers from multiple segments (i.e required in the marine & offshore, engineering/fabrication and/or construction segments)? How much of the group's inventory is fungible across segments and how much of the group's inventory is specialised for a particular segment?

Our steel materials can be used interchangeably across various end-user industries, hence we do not break down our inventory by specialisation.

Q3. Given the industry dynamics, has the group been able to serve and stay with customers with good prospects, and grow with them?

The Group continues to maintain good relationships with its base of over 700 active customers.

Q4. Can management provide shareholders with greater clarity on the trend in steel price in (YTD) 2021? What is management's restocking strategy?

Please refer to the answer to Q3 under the Company's response to questions from our Shareholders.

Q5. Has the board evaluated the optimal capital structure to support the group's long-term growth objectives? Has the board considered if the group is over-capitalised given the growth opportunities and the business activities? Has the board reviewed the group's return on equity (ROE)? Would the board consider it useful to track the 3-year, 5-year and 10-year ROE?

The Group's core business in steel distribution is capital intensive in nature due mainly to high inventory-holding and infrastructure costs. In view of the present business climate, the Group believes its current level of capitalisation helps to support and provides flexibility to its business operations, while minimising the risk of placing the Group in a disadvantageous position of liquidating its stock at unfavourable prices to meet debt commitments. The Board of Directors periodically reviews the Group's financial performance indicators including its historical and current ROE.

Q6. How sustainable is the current dividend practice given that the EPS in the past 3 years have been 0.5 cents, 0.2 cents and 0.15 cents?

Since our listing in 2005, the Group has consistently paid dividends representing at least 40% of its earnings every year. The Group endeavours to continue with this practice, subject to the Group's capital requirements and financial position.

Q7. Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings? What is the group dynamics at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors? Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings?

The Executive Directors are invited to the committee meetings which are chaired by Independent Directors. The committee members invited Executive Directors to provide reports, materials, and information on specific discussion matters where their presence is required to help facilitate the Independent Directors' discussion of agenda matters in each committee meeting. Independent Directors will continue their committee meetings in the absence of Executive Directors when the agenda items are deemed to pose conflict of interests. Our Board meetings are centred on the Group's business strategy and financial performance including budgets and forecasts or corporate actions, while the focus of our committee meetings is on specific matters such as financial performance and internal controls, remuneration and directors' performance.

By Order of the Board

Lee Yih Chyi
Managing Director

21 April 2021

About Asia Enterprises

Since 1973, Asia Enterprises has grown into a major distributor of a wide range of steel products to industrial end-users in Singapore and the Asia-Pacific region. It has also built a strong reputation in the marine and offshore sector.

Asia Enterprises presently owns three facilities in Singapore – a multi-storey warehouse, a single-storey warehouse and a steel processing plant-cum-warehouse – with a total combined land area of 45,934 square metres. Asia Enterprises supplies over 1,200 steel products to more than 700 active customers involved primarily in marine and offshore, oil and gas, construction, as well as precision metal stamping, manufacturing and engineering/fabrication industries.

The Group was listed on the Main Board of the SGX-ST on 1 September 2005.

For further information on Asia Enterprises, please visit the Group's website at: www.asiaenterprises.com.sg

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