



ASIA ENTERPRISES HOLDING LIMITED

ASIA ENTERPRISES HOLDING LIMITED
(Registration No: 200501021H)

Condensed Interim Financial Statements
For the six months and full year ended
31 December 2023

ASIA ENTERPRISES HOLDING LIMITED

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ASIA ENTERPRISES HOLDING LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR AND FULL YEAR ENDED 31 DECEMBER 2023

	6 months ended 31 December 2023	6 months ended 31 December 2022	%	12 months ended 31 December 2023	12 months ended 31 December 2022	%
	\$'000	\$'000	+/(-)	\$'000	\$'000	+/(-)
Revenue	32,872	42,519	(23)	95,450	73,522	30
Cost of sales	(26,150)	(36,267)	(28)	(80,022)	(59,888)	34
Gross profit	6,722	6,252	8	15,428	13,634	13
Other income and gains	425	184	131	1,527	875	75
Marketing and distribution costs	(326)	(455)	(28)	(1,061)	(721)	47
Administrative expenses	(1,958)	(2,655)	(26)	(7,291)	(6,829)	7
Finance costs	(160)	(158)	1	(320)	(340)	(6)
Other losses	(501)	(144)	248	(513)	(1,150)	(55)
Profit before tax from continuing operations	4,202	3,024	39	7,770	5,469	42
Income tax expense	(929)	(1,718)	(46)	(1,706)	(1,720)	(1)
Total comprehensive income for the year	3,273	1,306	151	6,064	3,749	62
Earnings per share	Cents	Cents		Cents	Cents	
Earnings per share currency unit						
Basic	0.96	0.38		1.78	1.10	
Diluted	0.96	0.38		1.78	1.10	

The accompanying notes form an integral part of these financial statements.

ASIA ENTERPRISES HOLDING LIMITED

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	Group		Company	
		As at 31 Dec 2023 \$'000	As at 31 Dec 2022 \$'000	As at 31 Dec 2023 \$'000	As at 31 Dec 2022 \$'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	11	12,341	13,975	–	–
Right-of-use assets		7,862	8,457	–	–
Investment property	12	370	390	–	–
Investments in subsidiaries		–	–	45,680	45,680
Other financial assets, non-current		3,304	4,582	750	1,254
Other non-financial assets		–	–	–	–
Total non-current assets		23,877	27,404	46,430	46,934
<u>Current assets</u>					
Inventories		26,757	34,176	–	–
Trade and other receivables		18,112	19,515	13,913	12,539
Other financial assets, current		4,803	5,857	630	1,139
Cash and cash equivalents		41,875	33,740	1,626	1,095
Total current assets		91,547	93,288	16,169	14,773
Total assets		115,424	120,692	62,599	61,707
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share capital	13	58,856	58,856	58,856	58,856
Treasury shares		(138)	(138)	(138)	(138)
Retained earnings		41,208	37,873	3,553	2,728
Capital reserve		575	575	–	–
Total equity		100,501	97,166	62,271	61,446
<u>Non-current liabilities</u>					
Provision, non-current		1,552	1,504	–	–
Deferred tax liabilities		845	864	–	–
Lease liabilities, non-current		7,931	8,448	–	–
Total non-current liabilities		10,328	10,816	–	–
<u>Current liabilities</u>					
Provision, current		423	533	–	–
Income tax payable		1,812	1,466	61	19
Lease liabilities, current		530	504	–	–
Trade and other payables		1,830	3,992	267	242
Other financial liabilities		–	6,215	–	–
Total current liabilities		4,595	12,710	328	261
Total liabilities		14,923	23,526	328	261
Total equity and liabilities		115,424	120,692	62,599	61,707

The accompanying notes form an integral part of these financial statements.

ASIA ENTERPRISES HOLDING LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

<u>Group</u>	<u>Total equity</u>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Retained earnings</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current year:					
Opening balance at 1 January 2023	97,166	58,856	(138)	575	37,873
Changes in equity:					
Total comprehensive income for the year ended 31 December 2023	6,064	-	-	-	6,064
Dividends (Note 8)	(2,729)	-	-	-	(2,729)
Closing balance at 31 December 2023	100,501	58,856	(138)	575	41,208
Previous year:					
Opening balance at 1 January 2022	96,146	58,856	(138)	575	36,853
Changes in equity:					
Total comprehensive income for the year ended 31 December 2022	3,749	-	-	-	3,749
Dividends (Note 8)	(2,729)	-	-	-	(2,729)
Closing balance at 31 December 2022	97,166	58,856	(138)	575	37,873
Company					
	<u>Total equity</u>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	
Current year:					
Opening balance at 1 January 2023	61,446	58,856	(138)	2,728	
Changes in equity:					
Total comprehensive income for the year ended 31 December 2023	3,554	-	-	3,554	
Dividends (Note 8)	(2,729)	-	-	(2,729)	
Closing balance at 31 December 2023	62,271	58,856	(138)	3,553	
Previous year:					
Opening balance at 1 January 2022	62,223	58,856	(138)	3,505	
Changes in equity:					
Total comprehensive income for the year ended 31 December 2022	1,952	-	-	1,952	
Dividends (Note 8)	(2,729)	-	-	(2,729)	
Closing balance at 31 December 2022	61,446	58,856	(138)	2,728	

The accompanying notes form an integral part of these financial statements.

ASIA ENTERPRISES HOLDING LIMITED

THE CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Group	
	2023	2022
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	7,770	5,469
Adjustment for:		
Interest income	(1,067)	(514)
Interest expense on lease liabilities	262	297
Unwinding of discount arise from provision for dismantling and removing	48	43
Inventory write down	472	342
Provision for club membership	–	50
Depreciation of investment property	20	20
Depreciation of plant and equipment	2,147	2,127
Depreciation of right-of use assets	612	600
Reversal of provision for employee benefits	(110)	(47)
Gain on disposal of property, plant and equipment	(67)	(2)
Gain on disposal of investments in FVTPL	–	(9)
Loss on disposal of investments in debt asset instruments at amortised cost	–	2
Fair value losses on investments at FVTPL	41	758
Operating cash flows before changes in working capital	10,128	9,136
Inventories	6,948	(11,165)
Trade and other receivables	1,387	(11,743)
Trade and other payables	(8,378)	(1,623)
Other non-financial liabilities	–	6,215
Net cash flows from / (used in) operations	10,085	(9,180)
Income taxes paid	(1,380)	(242)
Net cash flows from / (used in) operating activities	8,705	(9,422)
<u>Cash flows from investing activities</u>		
Other financial assets	2,293	2,063
Proceeds from disposal of property, plant and equipment	75	2
Purchase of property, plant and equipment	(518)	(231)
Interest received	1,079	540
Net cash flows from investing activities	2,929	2,374
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(2,729)	(2,729)
Lease liabilities - principal paid	(508)	(465)
Lease liabilities - interest portion	(262)	(297)
Net cash flows used in financing activities	(3,499)	(3,491)
Net increase / (decrease) in cash and cash equivalents	8,135	(10,539)
Cash and cash equivalents, statement of cash flows, beginning balance	33,740	44,279
Cash and cash equivalents, statement of cash flows, ending balance	41,875	33,740

The accompanying notes form an integral part of these financial statements.

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Asia Enterprises Holding Limited is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST). These condensed consolidated financial statements as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (collectively, the Group).

The Company is an investment holding company.

The principal activities of the Group are:

- (a) importing, exporting and marketing of steel products; and
- (b) processing and marketing of steel products; and
- (c) investment and management activities.

2. Basis of preparation of the financial statements

2.1. Statement of compliance

The condensed financial statements for the six months and full year ended 31 December 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the half year ended 30 June 2023.

2.2. Basis of measurement

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

2.3. Functional and presentation currencies

The condensed financial statements are presented in Singapore Dollar which is the Company's functional currency.

2.4. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s,

2.5. Use of judgements and estimates

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of preparation of the financial statements (Cont'd)

Assessment of expected credit loss allowance on trade receivables:

The allowance for expected credit losses ("ECL") assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward-looking information such as forecasts of future economic conditions including the impact of the current economic conditions. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.

Assessment of allowance on inventories:

The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories.

Estimation of useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is \$12,341,000 (2022: \$13,975,000).

Provisions for dismantling and removing:

Provision is made for dismantling and removing costs, based on future estimated expenditures, discounted to present values. Where appropriate, the establishment of a provision is recorded as part of the original cost of the related property, plant and equipment. Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives; otherwise such changes are recognised in profit or loss. The unwinding of the discount is included within the profit or loss as a financing charge.

3. Seasonal operations

The Group's businesses are affected by cyclical factors impacted by periods of economic expansion and contraction during the financial year.

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Segment and revenue information

The Group is organised into the following main business segments:

- Segment 1: Steel distribution - procuring, distributing and trading of steel products; and
- Segment 2: Provision of steel processing - processing of steel materials for sale; and
- Segment 3: Corporate - investment and management activities

These operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

4.1. Reportable segments

	<u>Steel distribution</u> \$'000	<u>Provision of steel processing</u> \$'000	<u>Corporate</u> \$'000	<u>Unallocated</u> \$'000	<u>Total</u> \$'000
Group					
1 July 2023 to 31 December 2023					
Revenue by segment:					
Total revenue by segment	31,603	1,347	27	-	32,977
Inter-segment sales	(57)	(21)	(27)	-	(105)
Total revenue	<u>31,546</u>	<u>1,326</u>	<u>-</u>	<u>-</u>	<u>32,872</u>
Recurring EBITDA					
Depreciation	4,726	561	(4)	-	5,283
Interest income	(1,198)	(174)	-	-	(1,372)
Interest expense on lease liabilities	-	-	-	441	441
Unwinding of discount from provision for dismantling and removing	-	-	-	(128)	(128)
ORBIT	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Other unallocated items	3,528	387	(4)	291	4,202
Profit before tax from continuing operations					-
Income tax expense					4,202
Profit from continuing operations					<u>(929)</u>
					<u>3,273</u>
Other material items and reconciliations:					
Depreciation expense	<u>1,198</u>	<u>174</u>	<u>-</u>	<u>-</u>	<u>1,372</u>
Assets and reconciliation:					
Total assets for reportable segments	98,028	14,105	3,027	-	115,160
Unallocated assets	-	-	-	264	264
Total group assets	<u>98,028</u>	<u>14,105</u>	<u>3,027</u>	<u>264</u>	<u>115,424</u>
Liabilities and reconciliations:					
Total liabilities for reportable segments	6,773	5,012	266	-	12,051
Other payables	22	193	-	-	215
Income tax payable	-	-	-	1,812	1,812
Deferred tax liabilities	-	-	-	845	845
Total group liabilities	<u>6,795</u>	<u>5,205</u>	<u>266</u>	<u>2,657</u>	<u>14,923</u>

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4.1. Reportable segments (Cont'd)

<u>Group</u>	<u>Steel distribution</u> \$'000	<u>Provision of steel processing</u> \$'000	<u>Corporate</u> \$'000	<u>Unallocated</u> \$'000	<u>Total</u> \$'000
1 July 2022 to 31 December 2022					
Revenue by segment:					
Total revenue by segment	41,293	1,319	27	–	42,639
Inter-segment sales	(50)	(43)	(27)	–	(120)
Total revenue	41,243	1,276	–	–	42,519
Recurring EBITDA					
Depreciation	3,826	349	74	–	4,249
Interest income	(1,185)	(180)	–	–	(1,365)
Interest expense on lease liabilities	–	–	–	298	298
Unwinding of discount from provision for dismantling and removing	–	–	–	(137)	(137)
ORBIT	–	–	–	(21)	(21)
Other unallocated items	2,641	169	74	140	3,024
Profit before tax from continuing operations					–
Income tax expense					3,024
Profit from continuing operations					(1,718)
					1,306
Other material items and reconciliations:					
Depreciation expense	1,185	180	–	–	1,365
Assets and reconciliation:					
Total assets for reportable segments	100,789	16,004	3,528	–	120,321
Unallocated assets	–	–	–	371	371
Total group assets	100,789	16,004	3,528	371	120,692
Liabilities and reconciliations:					
Total liabilities for reportable segments	15,565	5,272	240	–	21,077
Other payables	16	103	–	–	119
Income tax payable	–	–	–	1,466	1,466
Deferred tax liabilities	–	–	–	864	864
Total group liabilities	15,581	5,375	240	2,330	23,526

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4.1. Reportable segments (Cont'd)

<u>Group</u>	<u>Steel distribution</u> \$'000	<u>Provision of steel processing</u> \$'000	<u>Corporate</u> \$'000	<u>Unallocated</u> \$'000	<u>Total</u> \$'000
1 January 2023 to 31 December 2023					
Revenue by segment:					
Total revenue by segment	93,044	2,574	55	–	95,673
Inter-segment sales	(90)	(78)	(55)	–	(223)
Total revenue	92,954	2,496	–	–	95,450
Recurring EBITDA					
Depreciation	9,253	529	10	–	9,792
Interest income	(2,438)	(341)	–	–	(2,779)
Interest expense on lease liabilities	–	–	–	1,067	1,067
Unwinding of discount from provision for dismantling and removing	–	–	–	(262)	(262)
ORBIT	6,815	188	10	(48)	(48)
Other unallocated items				757	7,770
Profit before tax from continuing operations					–
Income tax expense					7,770
Profit from continuing operations					(1,706)
Other material items and reconciliations:					
Depreciation expense	2,438	341	–	–	2,779
Assets and reconciliation:					
Total assets for reportable segments	98,028	14,105	3,027	–	115,160
Unallocated assets	–	–	–	264	264
Total group assets	98,028	14,105	3,027	264	115,424
Liabilities and reconciliations:					
Total liabilities for reportable segments	6,773	5,012	266	–	12,051
Other payables	22	193	–	–	215
Income tax payable	–	–	–	1,812	1,812
Deferred tax liabilities	–	–	–	845	845
Total group liabilities	6,795	5,205	266	2,657	14,923

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4.1. Reportable segments (Cont'd)

<u>Group</u>	<u>Steel distribution</u> \$'000	<u>Provision of steel processing</u> \$'000	<u>Corporate</u> \$'000	<u>Unallocated</u> \$'000	<u>Total</u> \$'000
1 January 2022 to 31 December 2022					
Revenue by segment:					
Total revenue by segment	70,314	3,348	55	–	73,717
Inter-segment sales	(85)	(55)	(55)	–	(195)
Total revenue	70,229	3,293	–	–	73,522
Recurring EBITDA					
Depreciation	7,758	409	(125)	–	8,042
Interest income	(2,369)	(378)	–	–	(2,747)
Interest expense on lease liabilities	–	–	–	514	514
Unwinding of discount from provision for dismantling and removing	–	–	–	(297)	(297)
ORBIT	–	–	–	(43)	(43)
Other unallocated items	5,389	31	(125)	174	5,469
Profit before tax from continuing operations					–
Income tax expense					5,469
Profit from continuing operations					(1,720)
					3,749
Other material items and reconciliations:					
Depreciation expense	2,369	378	–	–	2,747
Assets and reconciliation:					
Total assets for reportable segments	100,789	16,004	3,528	–	120,321
Unallocated assets	–	–	–	371	371
Total group assets	100,789	16,004	3,528	371	120,692
Liabilities and reconciliations:					
Total liabilities for reportable segments	15,565	5,272	240	–	21,077
Other payables	16	103	–	–	119
Income tax payable	–	–	–	1,466	1,466
Deferred tax liabilities	–	–	–	864	864
Total group liabilities	15,581	5,375	240	2,330	23,526

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4.2 Revenue

The Company's revenue is from sales of goods and services based on point in time and all the contracts are less than 12 months.

	Group			
	6 months ended 31 December 2023	6 months ended 31 December 2022	12 months ended 31 December 2023	12 months ended 31 December 2022
	\$'000	\$'000	\$'000	\$'000
Sales of goods and related services	31,956	41,425	93,697	71,597
Service income	480	708	1,021	1,232
Rental income	435	385	730	681
Others	1	1	2	12
Total revenue	32,872	42,519	95,450	73,522

4.3 Geographical information

The Group's operations are located in Singapore. An analysis of the Group revenue by geographical area which is analysed based on the billing address of each individual customer is provided below.

	Group			
	6 months ended 31 December 2023	6 months ended 31 December 2022	12 months ended 31 December 2023	12 months ended 31 December 2022
	\$'000	\$'000	\$'000	\$'000
Singapore	26,527	24,988	47,532	39,240
Indonesia	6,286	15,686	46,231	31,006
Malaysia	4	1,844	1,631	3,160
Other regions	55	1	56	116
Total revenue	32,872	42,519	95,450	73,522

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2023 and 31 December 2022:

	Group		Company	
	As at 31 Dec 2023	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	64,552	60,111	16,791	15,901
Financial assets at fair value through profit or loss	3,542	3,583	128	126
At end of the year	68,094	63,694	16,919	16,027
<u>Financial liabilities:</u>				
Financial liabilities measured at amortised cost	10,291	12,944	267	242
At end of the year	10,291	12,944	267	242

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. Profit before taxation

6.1 Significant items

	Group			
	6 months ended 31 December 2023 \$'000	6 months ended 31 December 2022 \$'000	12 months ended 31 December 2023 \$'000	12 months ended 31 December 2022 \$'000
Income				
Gain on disposal of property, plant and equipment	61	2	67	2
Foreign exchange adjustment (loss) / gain	(178)	(271)	155	54
Interest income from financial institutions	324	183	825	251
Other interest income	117	115	242	263
Dividend income	93	115	198	207
Government grant	4	9	30	39
Expenses				
Gain on disposal of Investments in FVTPL	-	-	-	9
Loss on disposal of investments in debt asset instruments at amortized cost	-	-	-	(2)
Fair value losses on investments at FVTPL	(29)	198	(41)	(758)
Unwinding of discount from provision for dismantling and removing	(22)	(21)	(48)	(43)
Interest expenses on lease liabilities	(128)	(137)	(262)	(297)
Inventory write-down	(472)	(342)	(472)	(342)
Provision for club membership	-	-	-	(50)
Depreciation of investment property	(10)	(10)	(20)	(20)
Depreciation of property, plant and equipment	(1,068)	(1,065)	(2,147)	(2,127)
Depreciation of right-of-use assets	(294)	(290)	(612)	(600)

6.2 Related party transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) related party relationships, transactions and outstanding balances, including commitments, including; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

Members of a group:

<u>Name</u>	<u>Relationship</u>	<u>Country of incorporation</u>
Asia Enterprises (Private) Limited	Subsidiary	Singapore
Asia-Beni Steel Industries (Pte) Ltd	Subsidiary	Singapore

Related companies in these financial statements include the members of the Company's group of companies.

ASIA ENTERPRISES HOLDING LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6.2 Related party transactions (Cont'd)

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations, if any, are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related party transactions:

The Group has nil IPT transactions for 2023 and 2022.

The Company has no IPT general mandate.

7. Taxation

	Group			
	6 months ended 31 December 2023 \$'000	6 months ended 31 December 2022 \$'000	12 months ended 31 December 2023 \$'000	12 months ended 31 December 2022 \$'000
<u>Current tax expense:</u>				
Current tax expense	926	1,406	1,703	1,406
Under adjustments in respect of prior periods	22	43	22	45
Subtotal	<u>948</u>	<u>1,449</u>	<u>1,725</u>	<u>1,451</u>
<u>Deferred tax expense:</u>				
Deferred tax (income) / expense	(19)	139	(19)	139
Under adjustments in respect of prior periods	-	130	-	130
Subtotal	<u>(19)</u>	<u>269</u>	<u>(19)</u>	<u>269</u>
Total income tax expense	<u>929</u>	<u>1,718</u>	<u>1,706</u>	<u>1,720</u>

8. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported for?

Yes

Name of Dividend	:	Final Dividend
Dividend Type	:	Cash
Dividend Amount Per Share (in cents)	:	1.00 cent per ordinary share (tax exempt one-tier)

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8. Dividend (Cont'd)

(b) Corresponding period of the immediately preceding financial year

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

Yes

Name of Dividend	:	Final Dividend
Dividend Type	:	Cash
Dividend Amount Per Share (in cents)	:	0.8 cent per ordinary share (tax exempt one-tier)

(c) Date payable

To be announced later.

(d) Book closure date

To be announced later.

9. Net asset value

	Group		Company	
	As at 31 Dec 2023	As at 31 Dec 2022	As at 31 Dec 2023	As at 31 Dec 2022
Net asset value per ordinary share (cents)	<u>29.46</u>	<u>28.48</u>	<u>18.25</u>	<u>18.01</u>

10. Financial assets at fair value through profit and loss

Fair value measurement

	Level	Group	
		As at 31 Dec 2023	As at 31 Dec 2022
		\$'000	\$'000
<u>Debt assets investments:</u>			
Mutual fund investments - High yield debt securities, China, US, Taiwan, North America, UK, Europe, Asia Pacific ex- Japan	2	<u>3,542</u>	<u>3,583</u>

	Level	Company	
		As at 31 Dec 2023	As at 31 Dec 2022
		\$'000	\$'000
<u>Debt assets investments:</u>			
Mutual fund investments - High yield debt securities, China, US, Taiwan, North America, UK, Europe, Asia Pacific ex- Japan	2	<u>128</u>	<u>126</u>

For fair value measurements categorised within Level 2 of the fair value hierarchy, the carrying value approximate the fair values of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

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11. Property, plant and equipment

Group	Leasehold properties	Plant and equipment	Total
	\$'000	\$'000	\$'000
Cost:			
At 1 January 2022	25,249	11,585	36,834
Additions	–	231	231
Disposals	–	(146)	(146)
At 31 December 2022	25,249	11,670	36,919
Additions	–	518	518
Disposals	–	(372)	(372)
At 31 December 2023	25,249	11,816	37,065
Accumulated depreciation:			
At 1 January 2022	11,015	9,948	20,963
Depreciation for the year	1,570	557	2,127
Disposals	–	(146)	(146)
At 31 December 2022	12,585	10,359	22,944
Depreciation for the year	1,570	577	2,147
Disposals	–	(367)	(367)
At 31 December 2023	14,155	10,569	24,724
Carrying value:			
At 1 January 2022	14,234	1,637	15,871
At 31 December 2022	12,664	1,311	13,975
At 31 December 2023	11,094	1,247	12,341

12. Investment property

	Group	
	2023	2022
	\$'000	\$'000
At cost:		
At 1 January	886	886
At 31 December	886	886
Accumulated depreciation:		
At 1 January	496	476
Depreciation for the year	20	20
At 31 December	516	496
Carrying value:		
At 1 January 2022	390	410
At 31 December 2023	370	390
Fair value for disclosure purposes only:		
Fair value at end of the year	1,863	1,924

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12. Investment property (cont'd)

The investment properties are leased out under operating leases. The fair value of the investment property is stated on the existing use basis to reflect the actual market state and circumstances as of the end of the year and not as of either a past or future date. The fair value is determined periodically on a systematic basis. The fair value was based on a valuation made by management based on reference to market evidence of transaction prices to similar properties. The fair value is regarded as Level 3, the lowest level for fair value measurement, as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs).

13. Share capital

	<u>Number of shares issued</u> '000	<u>Share capital</u> '000	<u>Treasury shares</u> \$'000	<u>Total</u> \$'000
<u>Group and Company</u>				
Ordinary shares of no par value: At 1 January 2022, 31 December 2022 and 31 December 2023	<u>341,129</u> *	<u>58,856</u>	<u>(138)</u>	<u>58,718</u>

* Excluding non-voting 788,600 treasury shares and subsidiary shareholdings.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

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1. Review

The condensed consolidated statement of financial position of Asia Enterprises Holding Limited and its subsidiaries as at 31 December 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

2. Review of Performance of the Group

Review of the Steel Industry

Based on data compiled by World Steel Association (worldsteel), global crude steel production of 1,888.2 million tonnes (Mt) in 2023 was relatively unchanged compared to 1,888.7 Mt in 2022.

Production output of the main steel producing regions covered by worldsteel was generally lower to stable during the year. While China's steel output in 2023 was stable at 1,019.1 Mt compared to 2022, the country remained the world's largest steel producer with a 54% share of global crude steel production.

In its short-range outlook released on 17 October 2023, worldsteel is forecasting steel demand to have grown by 1.8% to 1,814.5 Mt in 2023 after a contraction of 3.3% in 2022. worldsteel said the high inflation and interest rate environment had an impact on steel demand since the second half of 2022 and that activities of steel-using sectors had cooled sharply as both investment and consumption weakened. Due to the delayed effect of tightening monetary policy, worldsteel expect steel demand recovery in 2024 to be slow. It is projecting steel demand to increase 1.9% to 1,849.1 Mt in 2024.

In a report on 10 January 2024, MEPS said the global steel market will be challenging again in the coming year. It said end-user demand in the first half is expected to stay weak but there is more optimism for the second half. Nevertheless, MEPS said steelmakers' cost pressures will underpin steel price movements in the next twelve months.

Overview

Asia Enterprises is a major distributor of steel products to industrial end-users in Singapore and the Asia-Pacific region. The Group offers a wide range of products that is complemented by its value-added steel processing services to offer a 'one-stop' solution and 'just-in-time' delivery to its customers in the marine and offshore, oil and gas, engineering/fabrication, construction and manufacturing industries. With operating history dating back to 1973, the Group has forged a strong reputation as a reliable distributor of steel products to the marine and offshore industries.

Review of Statement of Comprehensive Income

Revenue

Revenue (\$ m)	1H	2H	Full Year
FY2023	62.6	32.9	95.5
FY2022	31.0	42.5	73.5
y-o-y change	102%	(23%)	30%

For the 12 months ended 31 December 2023 (FY2023), Group revenue increased 30% to \$95.5 million from \$73.5 million on the back of higher volume of sales. Average selling prices (ASP) have generally eased during FY2023 as compared to FY2022, in tandem with a decline in international steel prices.

On a six-month basis, the Group's revenue decreased 23% to \$32.9 million in the second half of FY2023 (2H23) compared to \$42.5 million in 2H22 due to lower tonnage of sales and softer ASP.

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This was however offset by stronger customer demand in 1H23 which underpinned the Group's revenue growth for FY2023.

Revenue Breakdown by Industry

Industry	FY2023		FY2022		y-o-y %
	(\$ m)	%	(\$ m)	%	
Marine & offshore	81.5	85	57.7	79	41
Engineering/fabrication	7.5	8	8.0	10	(6)
Construction	2.3	2	1.9	3	21
Stockists & traders	2.6	3	3.4	5	(24)
Manufacturing, precision metal stamping & others	1.6	2	2.5	3	(36)
Total	95.5	100	73.5	100	30

The marine & offshore segment registered a 41% increase in sales to \$81.5 million in FY2023. The increase was driven mainly by higher demand from shipyards which moderated the impact of softer ASP. This segment continued to account for the largest proportion of Group revenue with a contribution of 85% in FY2023 (FY2022: 79%).

Sales to the engineering/fabrication segment dipped 6% to \$7.5 million in FY2023. While there was an increase in volume of purchases of steel materials by customers for their projects, this was offset by lower ASP. The engineering/fabrication segment accounted for 8% of Group revenue in FY2023 (FY2022: 10%).

The Group recorded higher sales to customers in the construction sector of \$2.3 million in FY2023 compared to \$1.9 million in FY2022. This was attributed mainly to increased orders in tandem with higher activity of customers' projects. Sales to this segment made up 2% of Group revenue in FY2023 (FY2022: 3%).

Revenue Breakdown by Geographical Market

Countries	FY2023		FY2022		y-o-y %
	(\$ m)	%	(\$ m)	%	
Singapore	47.5	50	39.2	53	21
Indonesia	46.2	48	31.0	42	49
Malaysia	1.6	2	3.2	4	(50)
Others	0.2	0	0.1	1	n.m.
Total	95.5	100	73.5	100	30

N.B. Revenue breakdown is based on billing addresses of customers

The Group's sales to customers in Singapore climbed 21% to \$47.5 million in FY2023 from \$39.2 million in FY2022, driven mainly by higher sales tonnage. Billings to customers in Singapore include sales that are shipped to domestic and overseas destinations. The Singapore segment accounted for 50% of Group revenue in FY2023 (FY2022: 53%).

Sales to customers in Indonesia in FY2023 jumped 49% to \$46.2 million from \$31.0 million in FY2022. This was spurred by increased volume of sales to shipyards there as demand grew in tandem with newbuilding and repair activities. As a result, the revenue contribution from Indonesia segment expanded to 48% in FY2023 (FY2022: 42%).

Revenue derived from Malaysia market decreased to \$1.6 million in FY2023 from \$3.2 million in FY2022 as a result of lower customer orders and ASP. This market made up 2% of Group revenue in FY2023 (FY2022: 4%).

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Gross Profit and Gross Profit Margin

		1H	2H	Full Year
Gross Profit (\$ m)	FY2023	8.7	6.7	15.4
	FY2022	7.4	6.2	13.6
Gross Profit Margin	FY2023	13.9%	20.4%	16.2%
	FY2022	23.8%	14.7%	18.5%

The Group's gross profit improved 13% to \$15.4 million in FY2023 from \$13.6 million in FY2022. This translated into a gross profit margin of 16.2% in FY023 compared to 18.5% in FY2022. The reduction in gross profit margin was attributed mainly to lower ASP during FY2023 versus FY2022, in tandem with a decline in global steel market prices.

Gross profit for 2H23 increased 8% to \$6.7 million, resulting in an expansion of gross profit margin to 20.4%. This was relatively higher than 14.7% in 2H22 when the gross profit margin was reduced by increased bulk ordering by customers.

The Group's gross profit margin typically fluctuates across the quarters during a financial year. Underlying factors include differences in selling prices due to seasonal factors and market conditions, sales mix, foreign currency fluctuations and changes in its weighted average cost of inventory sold as the Group sells and replaces its inventory across different periods.

Other income and gains

Other income and gains in FY2023 increased to \$1.5 million from \$0.9 million in FY2022, attributed mainly to higher interest income.

Marketing and Distribution Costs, Administrative Expenses, Finance Costs and Other Losses

Marketing and distribution costs in FY2023 increased to \$1.1 million from \$0.7 million in FY2022 due to higher cost of freight and handling services to support higher customers' orders and the impact of inflationary cost pressures. Administrative expenses increased slightly by 7% to \$7.3 million in FY2023, compared to \$6.8 million in FY2022. This was due mainly to higher staff-related expenses.

In line with the adoption of SFRS(I) 16, the Group recognised non-cash interest expense on lease liabilities of around \$0.3 million in FY2023. Other losses in FY2023 were down significantly to \$0.5 million from \$1.2 million in FY2022, due mainly to a decline in losses from investments measured at FVTPL (fair value through profit or loss).

Net Profit

		1H	2H	Full Year
PBT (\$ m)	FY2023	3.6	4.2	7.8
	FY2022	2.5	3.0	5.5
Net Profit (\$ m)	FY2023	2.8	3.3	6.1
	FY2022	2.4	1.3	3.7

The Group's profit before tax (PBT) in FY2023 gained 42% to \$7.8 million from \$5.5 million in FY2022 on the back of increased revenue, higher other income and reduction in other losses. PBT for 2H23 also improved 39% to \$4.2 million compared to \$3.0 million in 2H22, attributed mainly to higher gross profit and lower administrative expenses.

Despite higher PBT, income tax expenses in FY2023 of \$1.7 million were comparable to FY2022. This was because PBT in FY2022 contained higher provision of other losses which are non-deductible expenses.

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As a result, net profit for 2H23 more than doubled to \$3.3 million compared to \$1.3 million in 2H22. Net profit for FY2023 rose by a significant 62% to \$6.1 million from \$3.7 million in FY2022.

On a segmental basis, the Group recorded operating results before interest and tax (ORBIT) of \$6.8 million from its steel distribution business in FY2023, an increase from \$5.4 million in FY2022. Its steel processing business registered ORBIT of \$0.2 million in FY2023 compared to \$0.03 million in FY2022.

Dividend

The Board of Directors has recommended a final dividend payment of 1.0 cent per share with respect to FY2023 (FY2022: 0.8 cent per share). The proposed dividend is subject to shareholders' approval at the Company's annual general meeting.

Review of Financial Position

Statement of Financial Position as at 31 December 2023

The Group's balance sheet remained sound as at 31 December 2023 with cash and cash equivalents of \$41.9 million and zero borrowings. Shareholders' equity (excluding treasury shares) stood at \$100.5 million as at 31 December 2023. The Group had net asset value of 29.5 cents per share that included cash and cash equivalents of 12.3 cents per share and inventory with book value of 7.8 cents per share.

Property, plant and equipment decreased to \$12.3 million as at 31 December 2023 from \$14.0 million as at 31 December 2022 due mainly to depreciation charges. In line with the SFRS(I) 16, the present value of the operating lease payment commitments for the Group's warehouse facilities are recognised on its balance sheet as right-of-use assets and lease liabilities. As at 31 December 2023, the Group's right-of-use assets and lease liabilities stood at \$7.9 million and \$8.5 million respectively.

Other financial assets as at 31 December 2023 decreased to \$8.1 million compared to \$10.4 million as at 31 December 2022, due to redemptions of financial instruments on maturity.

Trade and other receivables decreased to \$18.1 million as at 31 December 2023 from \$19.5 million as at 31 December 2022, attributed mainly to lower sales in 2H23.

Inventories (measured on a weighted average cost basis) comprise primarily the stock of steel materials that the Group purchases and holds for sale to its customers as part of its core steel distribution business. As at 31 December 2023, inventories decreased to \$26.8 million from \$34.2 million as at 31 December 2022 in tandem with the Group's sales and inventory replenishment activities, as well as the decline in international steel prices. Inventory turnover for FY2023 was around 122 days compared to 208 days for FY2022.

Non-current and current provisions as at 31 December 2023 were unchanged at \$2.0 million.

Trade and other payables arose mainly from purchases of inventories and services from third parties on credit terms. Trade and other payables as at 31 December 2023 decreased to \$1.8 million from \$4.0 million as at 31 December 2022 due mainly to settlement of outstanding expenses. Other non-financial liabilities reduced to nil as at 31 December 2023 from \$6.2 million as at 31 December 2022, following the fulfillment of orders for deferred sales received in advance from customers.

Statement of Cash Flows

Net cash from operating activities amounted to \$8.7 million in FY2023. This was attributed to operating cash flows before changes in working capital of \$10.1 million, offset mainly by payment of income tax of \$1.4 million.

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Net cash generated from investing activities in FY2023 was \$2.9 million. This was attributed mainly to redemption of other financial assets and interest income, offset partially by purchase of plant and equipment.

Net cash used in financing activities in FY2023 amounted to \$3.5 million, which was due mainly to the payment of dividend with respect to FY2022 and lease liabilities.

As a result of the above factors, the Group's cash and cash equivalents increased to \$41.9 million as at 31 December 2023 compared to \$33.7 million as at 31 December 2022.

Significant trends and competitive conditions

Notwithstanding the weak macroeconomic environment and downtrend in international steel prices during FY2023, the Group delivered its strongest financial performance in over a decade. This was driven by a general improvement in demand for steel materials from customers in its key marine & offshore segment, albeit a slowdown in the pace of orders during the second half of the year.

In line with its commitment to reward shareholders, the Group has recommended the payment of a final dividend of 1.0 cent per share for FY2023.

Looking ahead to FY2024, the Group will continue to adopt a cautious business view due to numerous global uncertainties. High interest rates, tight credit markets, inflationary pressures and rising geopolitical tensions may threaten downside risks to the global economy.

With the ongoing volatility of international steel prices, the demand and purchasing patterns of steel end-users may remain unpredictable as changes in steel prices will affect the economic viability of their projects. High interest rate environment and accessibility to financing will also have an impact on the project pipelines of steel end-users.

The steel distribution industry in Singapore is expected to continue facing challenges due to operating cost pressures and a highly competitive environment. Fluctuations in international steel prices and the US Dollar versus the Singapore Dollar also affect the cost of replenishing inventory and the market selling prices of steel products, which invariably have an influence on the Group's gross profit margin.

To be prepared for potential opportunities and challenges in the global business environment, the Group will continue with its business development plans while maintaining a tight control on costs. It will continue its marketing efforts to sustain and build new customer relationships, and remain vigilant of its sales and credit management as well as operating expenses. The Group will also take a prudent approach in inventory management while ensuring it has sufficient steel inventory and mix of products to meet the project requirements of customers. The Group believes this approach will help to assure a sound balance sheet and build financial resilience to overcome any difficult business cycles.

3. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in accordance with Rule 720(1) of the Listing Manual.

4. Disclosure pursuant to Rule 706A of the Listing Manual

During FY2023 and as at the date of this announcement, there were no changes to the Company's and the Group's shareholding percentage in its respective subsidiaries or associated companies nor incorporation of any new subsidiary or associate by the Company or any of the Group's entities.

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5. Confirmation pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

6. 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(13) in the format below.

The Group confirms that the following persons occupying a managerial position in the Company or in any of its principal subsidiaries is a relative of a director, chief executive officer or substantial shareholder of the Company by way of following relationship:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lee Choon Yam	64	Uncle of Lee Yih Chyi, Lee Yih Hwan and Lee Yih Lin	Head of Production (since 1 July 2005). In charge of production and maintenance	NIL
Lee Yih Lin	50	Brother of Lee Yih Chyi and Lee Yih Hwan, nephew of Lee Choon Yam	General Manager (since 3 July 2006). His duties include business development, sales and marketing and to solicit, study, propose and negotiate for favourable and feasible projects and businesses in line with corporate activities.	NIL

By Order of the Board

Siau Kuei Lian
Company Secretary
8 February 2024