

ASIA ENTERPRISES HOLDING LIMITED

(Company Registration No. 200501021H)

Unaudited Full Year Financial Statement and Dividend Announcement for the Year ended 31 December 2019

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

- 1(a) 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

	Group					
	4Q FY2019 S\$'000	4Q FY2018 S\$'000	% + / (-)	Year Ended 31/12/2019 S\$'000	Year Ended 31/12/2018 S\$'000	% + / (-)
Revenue	12,548	9,318	35	40,245	37,821	6
Cost of Sales	(10,525)	(7,672)	37	(33,257)	(29,912)	11
Gross Profit	2,023	1,646	23	6,988	7,909	(12)
Other Items of Income						
Interest Income	319	284	12	1,120	788	42
Other Gains	3	2	50	32	199	(84)
Other Items of Expense						
Marketing and Distribution Costs	(102)	(50)	104	(270)	(261)	3
Administrative Expenses	(1,633)	(1,299)	26	(7,235)	(7,254)	(0)
Other Losses	(69)	(3)	NM	(90)	(3)	NM
Profit/(Loss) Before Tax from Continuing Operations	541	580	(7)	545	1,378	(60)
Income Tax (Expense) / Income	(40)	131	NM	(40)	134	NM
Profit/(Loss) Net of Tax	501	711	(30)	505	1,512	(67)
Profit/(Loss) Attributable to Owners of the Parent, Net of Tax	509	691	(26)	680	1,718	(60)
Profit/(Loss) Attributable to Non-Controlling Interests, Net of Tax	(8)	20	(140)	(175)	(206)	(15)
	501	711	(30)	505	1,512	(67)
Earnings/(Loss) Per Share						
Basic (Cents)	0.15	0.20		0.20	0.50	
Diluted (Cents)	0.15	0.20		0.20	0.50	

Profit/(Loss) before tax is arrived at after crediting (charging) the following:

	Group					
	4Q FY2019 S\$'000	4Q FY2018 S\$'000	% + / (-)	Year Ended 31/12/2019 S\$'000	Year Ended 31/12/2018 S\$'000	% + / (-)
Foreign exchange adjustment (loss)/gain	(68)	(3)	NM	(20)	194	(110)
Recovery of bad debts allowance	-	2	NM	29	5	NM
Bad debts written off, allowance for impairment on trade receivables and recovery costs	(1)	-	NM	(70)	(3)	NM
Dividend income	3	-	NM	3	-	NM
Interest expense on lease liabilities	(77)	-	NM	(314)	-	NM
Depreciation of investment property	(5)	(5)	-	(19)	(19)	-
Depreciation of property, plant and equipment	(533)	(535)	(0)	(2,128)	(2,137)	(0)
Depreciation of right-of-use assets	(194)	-	NM	(777)	-	NM

NM : Not meaningful

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- 1(a) 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 (Cont'd)

Consolidated Statement of Comprehensive Income

	Group					
	4Q FY2019 S\$'000	4Q FY2018 S\$'000	% + / (-)	Year Ended 31/12/2019 S\$'000	Year Ended 31/12/2018 S\$'000	% + / (-)
Profit/(Loss) Net of Tax	501	711	(30)	505	1,512	(67)
Other Comprehensive Income	-	-		-	-	
Total Comprehensive Income/(Loss) for the Period	501	711	(30)	505	1,512	(67)
Total Comprehensive Income/(Loss) Attributable to Owners of the Parent	509	691	(26)	680	1,718	(60)
Total Comprehensive Income/(Loss) Attributable to Non-Controlling Interests	(8)	20	NM	(175)	(206)	(15)
Total Comprehensive Income/(Loss)	501	711	(30)	505	1,512	(67)

NM : Not meaningful

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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

Statements of Financial Position

	Group		Company	
	As at 31/12/2019 S\$'000	As at 31/12/2018 S\$'000	As at 31/12/2019 S\$'000	As at 31/12/2018 S\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	18,602	20,678	-	-
Right-Of-Use Assets	10,047	-	-	-
Investment Property	448	467	-	-
Investments in Subsidiaries	-	-	45,680	43,530
Other Financial Assets	5,096	4,878	2,800	2,311
Other Asset	50	50	-	-
Total Non-Current Assets	34,243	26,073	48,480	45,841
<u>Current Assets</u>				
Inventories	15,811	18,416	-	-
Trade and Other Receivables	7,425	8,690	9,433	13,632
Other Financial Assets	4,697	1,788	1,907	1,009
Cash and Cash Equivalents	47,424	48,807	3,079	3,393
Total Current Assets	75,357	77,701	14,419	18,034
Total Assets	109,600	103,774	62,899	63,875
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	58,856	58,856	58,856	58,856
Treasury Shares	(138)	(138)	(138)	(138)
Retained Earnings	36,014	34,287	3,918	4,898
Capital Reserve	575	575	-	-
Equity, Attributable to Owners of the Parent	95,307	93,580	62,636	63,616
Non-Controlling Interests	-	5,198	-	-
Total Equity	95,307	98,778	62,636	63,616
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	595	595	-	-
Lease Liabilities	9,666	-	-	-
Total Non-Current Liabilities	10,261	595	-	-
<u>Current Liabilities</u>				
Income Tax Payable	40	15	40	15
Trade and Other Payables	3,477	4,386	223	244
Current Portion of Lease Liabilities	515	-	-	-
Total Current Liabilities	4,032	4,401	263	259
Total Liabilities	14,293	4,996	263	259
Total Equity and Liabilities	109,600	103,774	62,899	63,875

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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**

As at 31/12/2019 S\$'000		As at 31/12/2018 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31/12/2019 S\$'000		As at 31/12/2018 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

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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

Statement of Cash Flows

	Group			
	4Q FY2019 S\$'000	4Q FY2018 S\$'000	Year Ended 31/12/2019 S\$'000	Year Ended 31/12/2018 S\$'000
<u>Cash Flows from Operating Activities</u>				
Profit/(Loss) Before Tax	541	580	545	1,378
Adjustments for:				
Depreciation of Investment Property	5	5	19	19
Depreciation of Property, Plant and Equipment	533	535	2,128	2,137
Depreciation of Right-Of-Use Assets	194	-	777	-
Interest Income	(319)	(284)	(1,120)	(788)
Operating Cash Flows Before Changes in Working Capital	954	836	2,349	2,746
Inventories	(672)	2,672	2,605	(4,141)
Trade and Other Receivables	2,248	(337)	1,265	(1,594)
Trade and Other Payables	1,915	1,980	(909)	(232)
Net Cash Flows From Operations Before Interest and Tax	4,445	5,151	5,310	(3,221)
Income Taxes (Paid)/ Refund	(3)	-	(15)	(10)
Net Cash Flows From/ (Used In) Operating Activities	4,442	5,151	5,295	(3,231)
<u>Cash Flows from Investing Activities</u>				
Purchase of Property, Plant and Equipment	(13)	(60)	(52)	(136)
Other Financial Assets - (Increase)/ Decrease	(614)	303	(3,127)	(4,053)
Interest Received	319	284	1,120	788
Acquisition of Remaining Interest in a Subsidiary	(2,150)	-	(2,150)	-
Net Cash Flows From/ (Used in) Investing Activities	(2,458)	527	(4,209)	(3,401)
<u>Cash Flows from Financing Activities</u>				
Dividends Paid to Equity Owners	-	-	(1,706)	(1,706)
Dividends Paid by A Subsidiary to Non-Controlling Interests	-	-	(120)	(80)
Lease Liabilities - Principal Portion Paid	(163)	-	(643)	-
Net Cash Flows From/ (Used in) Financing Activities	(163)	-	(2,469)	(1,786)
Net (Decrease)/Increase in Cash and Cash Equivalents	1,821	5,678	(1,383)	(8,418)
Cash and Cash Equivalents, Beginning Balance	45,603	43,129	48,807	57,225
Cash and Cash Equivalents, Ending Balance	47,424	48,807	47,424	48,807

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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

Statements of Changes in Equity

Group (S\$'000)	Attributable to				Capital Reserve	Retained Earnings	Non-Controlling Interests
	Total Equity	Parent Sub-Total	Share Capital	Treasury Shares			
Opening Balance at 1 January 2019	98,778	93,580	58,856	(138)	575	34,287	5,198
Total Comprehensive Income for the Year ended 31 December 2019	505	680	-	-	-	680	(175)
Purchase of Treasury Shares	-	-	-	-	-	-	-
Dividends paid	(1,826)	(1,706)	-	-	-	(1,706)	(120)
Acquisition of Non-controlling Interest Without a Change in Control	(2,150)	2,753	-	-	-	2,753	(4,903)
Closing Balance at 31 December 2019	95,307	95,307	58,856	(138)	575	36,014	-
(a)							
Opening Balance at 1 January 2018	99,052	93,568	58,856	(138)	575	34,275	5,484
Total Comprehensive Income for the Year ended 31 December 2018	1,512	1,718	-	-	-	1,718	(206)
Dividends paid	(1,786)	(1,706)	-	-	-	(1,706)	(80)
Closing Balance at 31 December 2018	98,778	93,580	58,856	(138)	575	34,287	5,198
(a)							

(a) Unrealised and not available for distribution as cash dividends.

Company (S\$'000)	Total Equity	Share Capital	Treasury Shares	Retained Earnings
Opening Balance at 1 January 2019	63,616	58,856	(138)	4,898
Total Comprehensive Income for the Year ended 31 December 2019	726	-	-	726
Dividends paid	(1,706)	-	-	(1,706)
Closing Balance at 31 December 2019	62,636	58,856	(138)	3,918
Opening Balance at 1 January 2018	64,058	58,856	(138)	5,340
Total Comprehensive Income for the Year ended 31 December 2018	1,264	-	-	1,264
Dividends paid	(1,706)	-	-	(1,706)
Closing Balance at 31 December 2018	63,616	58,856	(138)	4,898

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, if any, against the total number of issued shares excluding 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.

There were no changes in the share capital since the end of the previous period reported on.

There were a total of 788,600 treasury shares and subsidiary holdings held as at 31 December 2019. (31 December 2018 : 788,600)

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

	Number of shares	
	As at 31/12/2019	As at 31/12/2018
Total number of issued shares	341,917,487	341,917,487
Treasury shares and subsidiary holdings	788,600	788,600
Total number of issued shares excluding treasury shares and subsidiary holdings	341,128,887	341,128,887

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

The Company held 788,600 treasury shares as at 31 December 2019. There were no sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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.

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

The figures have neither been audited nor reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with the audited financial statements for the year ended 31 December 2018.

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 adopted SFRS (I) 16 on 1 January 2019, using the modified retrospective approach, without restating prior years' information.

In compliance with SFRS (I) 16, the Group has applied the practical expedient to recognise the amount of right-of-use assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group depreciate the right-of-use assets over the lease term, and recognise interest expenses on the lease liabilities.

The right-of-use assets of approximately S\$10.0 million as at 31 December 2019 were mainly related to the leases of the Group's warehouse facilities. Accordingly, there was a corresponding lease liabilities of approximately S\$10.2 million being recorded as at 31 December 2019.

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

	Group			
	4Q FY2019	4Q FY2018	Year Ended 31/12/2019	Year Ended 31/12/2018
Earnings/(Loss) per ordinary share for the period based on net profit/(loss) attributable to shareholders				
(a) Based on the weighted average number of ordinary shares in issue	0.15 cents	0.20 cents	0.20 cents	0.50 cents
Weighted average number of ordinary shares in issue (excluding treasury shares and subsidiary holdings)	341,128,887	341,128,887	341,128,887	341,128,887
(b) On a fully diluted basis	0.15 cents	0.20 cents	0.20 cents	0.50 cents
Weighted average number of ordinary shares in issue (excluding treasury shares and subsidiary holdings)	341,128,887	341,128,887	341,128,887	341,128,887

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- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year**

	Group		Company	
	As at 31/12/2019	As at 31/12/2018	As at 31/12/2019	As at 31/12/2018
Net asset value per ordinary share (cents) *	27.94	27.43	18.36	18.65

* The net asset value per ordinary share of the Group and the Company as at 31 December 2019 is computed based on the total number of issued shares (excluding 788,600 treasury shares and subsidiary holdings) of 341,128,887 (31 December 2018: 341,128,887).

- 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 period 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 reported on

Review of the Steel Industry

Based on data compiled by World Steel Association (worldsteel), global crude steel production increased 3.4% to 1,869.9 million tonnes (Mt) for the year 2019 compared to 2018. Crude steel production contracted in all regions in 2019 except in Asia and the Middle East. Steel output in China rose 8.3% to 996.3 Mt and accounted for 53.3% of global steel production in 2019.

According to a report published on 28 January 2020, ports in Hebei province, which is a major Chinese steelmaking hub, have been closed amid the coronavirus outbreak. This is hampering iron ore imports and steel exports. Many cities in China have also delayed restarting construction activities until further notice. The knock-on impact of the coronavirus outbreak may weigh on global steel prices due to concerns of weaker demand in China and expectations of a rise in steel inventories globally.

(Sources: World Steel Association; "China steel demand/output falls on virus: analysts", S&P Global Platts, published 28 January 2020)

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 (S\$ m)	1Q	2Q	3Q	4Q	Full Year
FY2019	7.0	8.9	11.8	12.5	40.2
FY2018	8.5	10.9	9.1	9.3	37.8
y-o-y change	(17%)	(19%)	30%	35%	6%

For the three months ended 31 December 2019 ("4Q19"), the Group posted a 35% increase in revenue to S\$12.5 million from S\$9.3 million in 4Q18 despite lower average selling prices ("ASP"). The growth in sales was driven primarily by higher demand from customers in the marine and offshore, engineering/fabrication and construction sectors. Increased orders from these customers in 4Q19 also led to a sequential improvement in revenue over 3Q19 during which Group sales totalled S\$11.8 million.

For the year ended 31 December 2019 ("FY2019"), the Group registered revenue of S\$40.2 million, up 6% from S\$37.8 million in FY2018. This was attributed mainly to increased sales volume which more than counterbalanced the impact of lower ASP in FY2019. International steel prices in FY2019 were generally softer compared to FY2018. Coupled with keen industry competition, the Group experienced lower ASP in FY2019 versus FY2018.

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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 period 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 (cont'd)

Revenue Breakdown by Industry

Industry	FY2019		FY2018		y-o-y %
	(S\$ m)	%	(S\$ m)	%	
Marine and Offshore	24.3	60	20.0	53	22
Engineering/fabrication	5.1	13	5.4	14	(6)
Construction	3.9	10	4.3	11	(9)
Stockists and traders	4.5	11	5.2	14	(13)
Manufacturing, precision metal stamping & Others	2.4	6	2.9	8	(17)
Total	40.2	100	37.8	100	6

Sales to customers in the marine and offshore segment in FY2019 climbed 22% to S\$24.3 million on the back of improved sales volume. As a result, the marine and offshore segment's revenue contribution expanded to 60% in FY2019 compared to 53% in FY2018.

Sales to engineering/fabrication segment dipped marginally by 6% to S\$5.1 million due mainly to lower ASP. The engineering/fabrication segment accounted for 13% of Group revenue in FY2019.

Sales derived from the construction segment decreased 9% to S\$3.9 million in FY2019 as a result of lower orders and ASP. As a result, the revenue contribution from the construction segment declined slightly to 10% in FY2019.

Revenue Breakdown by Geographical Market

Countries	FY2019		FY2018		y-o-y %
	(S\$ m)	%	(S\$ m)	%	
Singapore	26.0	65	23.8	63	9
Indonesia	10.2	25	7.9	21	29
Malaysia	2.5	6	4.1	11	(39)
Others	1.5	4	2.0	5	(25)
Total	40.2	100	37.8	100	6

N.B. Revenue breakdown is based on shipment destination

The Group recorded higher revenue from the Singapore and Indonesia markets which offset declines in sales from Malaysia and other markets.

Sales derived from the Singapore market in FY2019 gained 9% to S\$26.0 million and accounted for the largest share of Group revenue with a contribution of 65%. This increase was driven mainly by higher demand from the local shipyards which offset lower purchases of steel products from customers in the construction segment.

Sales generated from the Indonesia market picked up in FY2019 with an increase of 29% to S\$10.2 million from S\$7.9 million in FY2018. The improved demand for steel from this market was underpinned mainly by a higher level of shipbuilding activities during FY2019. As a result, the revenue contribution from Indonesia expanded to 25% in FY2019 from 21% previously.

On the other hand, sales to Malaysia declined 39% to S\$2.5 million and accounted for 6% of Group revenue in FY2019.

Gross Profit and Gross Profit Margin

		1Q	2Q	3Q	4Q	Full Year
Gross Profit (S\$ m)	FY2019	1.3	1.7	1.9	2.0	7.0
	FY2018	1.9	2.5	1.9	1.6	7.9
Gross Profit Margin	FY2019	19.4%	18.8%	16.3%	16.1%	17.4%
	FY2018	22.4%	22.9%	20.5%	17.7%	20.9%

The Group's gross profit increased 23% to S\$2.0 million in 4Q19 on the back of higher revenue. Gross profit margin eased to 16.1% in 4Q19 from 17.7% in 4Q18 due mainly to lower average selling prices.

Gross profit margin for FY2019 decreased to 17.4% from 20.9% in FY2018 due mainly to lower average selling prices, coupled with higher weighted average cost of inventory sold in FY2019 vis-à-vis FY2018.

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, and changes in its weighted average cost of inventory sold as the Group sells and replaces its inventory across different periods.

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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 period 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 (cont'd)

Other Items of Income

Other income in 4Q19 remained steady at S\$0.3 million. For FY2019, other income increased to S\$1.2 million from S\$1.0 million in FY2018, attributed mainly to higher interest income. This helped to offset a negative swing of around S\$0.2 million resulting from a foreign exchange adjustment loss in FY2019 in contrast to a foreign exchange adjustment gain in FY2018.

Marketing and Distribution Costs and Administrative Expenses

Marketing and distribution costs in 4Q19 increased to S\$0.1 million from S\$50,000 previously in tandem with the level of freight and handling services that were required for customers' orders. These expenses remained stable at S\$0.3 million in FY2019.

Administrative expenses in 4Q19 increased 26% to S\$1.6 million from S\$1.3 million in 4Q18. However, administrative expenses for FY2019 were relatively unchanged at S\$7.2 million when compared to FY2018.

Net Profit/ (Loss) Attributable to Equity Holders and Net Profit Margin

		1Q	2Q	3Q	4Q	Full Year
Net Profit / (Loss)	FY2019	(0.4)	0.4	0.2	0.5	0.7
Attributable to Equity Holders	FY2018	0.1	0.7	0.2	0.7	1.7
(S\$ m)	y-o-y change	n.m.	(42%)	9%	(26%)	(60%)
Net Profit Margin	FY2019	n.m.	4.7%	1.3%	4.0%	1.3%
	FY2018	0.4%	6.0%	1.2%	7.6%	4.0%

The Group posted profit before tax of S\$0.5 million in 4Q19 which was relatively stable compared to 4Q18. However, profit attributable to equityholders ("PATMI") decreased to S\$0.5 million in 4Q19 from S\$0.7 million in 4Q18 due mainly to the absence of an income tax income.

For FY2019, the Group reported PATMI of S\$0.7 million compared to S\$1.7 million in FY2018 due mainly to lower gross profit margin and the absence of an income tax income. Excluding interest, income tax and depreciation expenses, the Group recorded stable earnings attributable to equityholders of S\$2.8 million in FY2019.

Dividend

The Board of Directors is recommending a final dividend payment of 0.50 cents per share with respect to FY2019, which is the same as the final dividend for FY2018. 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 2019

The Group's balance sheet remained sound with cash and cash equivalents of S\$47.4 million and zero borrowings as at 31 December 2019. Shareholders' equity (excluding treasury shares) increased to S\$95.3 million from S\$93.4 million as at 31 December 2018 due to profit generated in FY2019 and the acquisition of the remaining 40% stake in a subsidiary, Asia-Beni Steel Industries (Pte) Ltd ("ABSI") which is now a wholly-owned subsidiary of the Group. As at 31 December 2019, the Group had net asset value of 27.9 cents per share that included cash and cash equivalents of 13.9 cents per share and inventory with book value of 4.6 cents per share.

Property, plant and equipment decreased to S\$18.6 million from S\$20.7 million as at 31 December 2018 due to depreciation charges. As a result of the adoption of 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 2019, the Group's right-of-use assets and lease liabilities stood at S\$10.0 million and S\$10.2 million respectively.

Other financial assets as at 31 December 2019 increased to S\$9.8 million from S\$6.7 million as at 31 December 2018 due to higher investments in fixed-income securities.

Trade and other receivables decreased to S\$7.4 million from S\$8.7 million at the end of December 2018.

Inventories (measured on a weighted average cost basis) as at 31 December 2019 declined to S\$15.8 million from S\$18.4 million as at 31 December 2018, in tandem with the Group's sales and inventory replenishment activities.

Trade and other payables decreased to S\$3.5 million from S\$4.4 million as at 31 December 2018 due mainly to settlement of outstanding trade payables.

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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 period 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 on (cont'd)

Statement of Cash Flows

The Group generated net cash from operating activities of S\$5.3 million during FY2019. This was attributed to operating cash flows before changes in working capital of S\$2.3 million and reductions in inventories and trade and other receivables, which were offset partially by a decline in trade and other payables.

Net cash used in investing activities in FY2019 was S\$4.2 million due mainly to the increase in other financial assets and the acquisition of the remaining stake in ABSI. Net cash used in financing activities amounted to S\$2.5 million in FY2019. This was attributed mainly to the principal portion payment of the lease liabilities and payment of dividends of S\$1.7 million to equity owners with respect to FY2018.

As a result of the above factors, the Group's cash and cash equivalents decreased to S\$47.4 million as at 31 December 2019 compared to S\$48.8 million as at 31 December 2018.

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

The results are in line with the commentary in section 10 of the Company's previous financial statements released on 5 November 2019.

- 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.**

Group Outlook

Business conditions for companies operating in the steel distribution industry continued to be difficult in FY2019. Demand from steel end-users was muted amid the slow macroeconomic backdrop while industry competition remained intense. Nonetheless, the Group saw an increase in revenue during the second half of FY2019. This was due to higher sales in Singapore and a moderate recovery in sales to Indonesia as a result of a pick-up in orders from customers in the marine and offshore industry.

Looking ahead, the Group expects the operating environment in FY2020 to stay challenging as ongoing uncertainties facing the global economy should continue to influence end-user demand for steel. Keen market competition is expected to prevail which could depress steel selling prices. As China is the world's largest steel producing country, the current COVID-19 outbreak situation could potentially lead to a disruption in the global steel supply chain. Fluctuations in international steel prices and the US Dollar vis-à-vis the Singapore Dollar could also affect the Group's cost of inventory replenishment and market selling prices.

In spite of the challenging business conditions, the Group remains committed to rewarding shareholders and has recommended the payment of a final dividend of 0.50 cents per share for FY2019. Since listing on the Singapore Exchange in 2005, Asia Enterprises has consistently paid dividends representing at least 40% of its earnings every year to reward shareholders for their continuous support.

The Group will remain vigilant on credit exposure and ensure tight control of expenses as part of its prudent financial management. To maintain its market competitiveness, the Group closely monitors the demand trends and purchasing patterns of major steel end-users to ensure it has sufficient and relevant inventory to provide shorter delivery lead times to customers.

With a balance sheet backed by cash of S\$47.4 million and zero debt, the Group has a sound financial position to withstand challenging market conditions. It is also well-placed to capitalise on opportunities when the key steel consuming industries experience a sustained recovery in business activities.

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11 Dividends

(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)	:	0.5 cents per ordinary share (tax exempt one-tier)

(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)	:	0.5 cents per ordinary share (tax exempt one-tier)

(c) Date payable

To be announced later.

(d) Book closure date

To be announced later.

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

Not applicable.

13 Interested Person Transactions ("IPT")

If the Group has obtained a general mandate from shareholders for 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.

Aggregate value of all IPT during the financial year under review (excluding transactions less than S\$100,000)

	Year Ended 31/12/2019 S\$'000	Year Ended 31/12/2018 S\$'000
Penta Transport Services	118	173

The value of IPT of the Group is well below 3% of the Group's latest audited net tangible assets as at 31 December 2018.

The Company has no IPT general mandate.

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year results)

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

Continuing Operations 2019	Steel Distribution \$'000	Provision of steel processing \$'000	Corporate \$'000	Unallocated \$'000	Total \$'000
Revenue by Segment					
Total revenue by segment	36,692	3,843	55	-	40,590
Inter-segment sales	(40)	(250)	(55)	-	(345)
Total revenue	<u>36,652</u>	<u>3,593</u>	<u>-</u>	<u>-</u>	<u>40,245</u>
Recurring EBITDA	3,129	(86)	(380)	-	2,663
Depreciation	(2,516)	(408)	-	-	(2,924)
Interest income				1,120	1,120
Interest expenses on lease liabilities				(314)	(314)
ORBIT *	613	(494)	(380)	806	545
Other unallocated items					-
Profit before tax from continuing operations					545
Income tax expense					(40)
Profit from continuing operations					505
Non-controlling interests					175
Profit attributable to owners of the parent					<u>680</u>
Other Material Items and Reconciliations:-					
Expenditure for non-current assets	10	42	-	-	52
Depreciation expense	2,516	408	-	-	2,924
Recovery of bad debts allowance	(29)	-	-	-	(29)
Assets and Reconciliations					
Total assets for reportable segments	84,136	17,453	7,786	-	109,375
Unallocated corporate assets	-	-	-	225	225
Total group assets	<u>84,136</u>	<u>17,453</u>	<u>7,786</u>	<u>225</u>	<u>109,600</u>
Liabilities and Reconciliations					
Total liabilities for reportable segments	8,441	4,673	-	-	13,114
Unallocated corporate liabilities:-					
Other payables				544	544
Income tax payable				40	40
Deferred tax liabilities				595	595
Total group liabilities	<u>8,441</u>	<u>4,673</u>	<u>-</u>	<u>1,179</u>	<u>14,293</u>
Information about major customers with revenue transactions of over 10% of the group revenue :-					
Top 1 customer	<u>5,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,427</u>

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

Continuing Operations 2018	Steel Distribution \$'000	Provision of steel processing \$'000	Corporate \$'000	Unallocated \$'000	Total \$'000
Revenue by Segment					
Total revenue by segment	34,490	3,790	55	-	38,335
Inter-segment sales	(134)	(325)	(55)	-	(514)
Total revenue	<u>34,356</u>	<u>3,465</u>	<u>-</u>	<u>-</u>	<u>37,821</u>
Recurring EBITDA	3,573	(433)	(394)	-	2,746
Depreciation	(1,868)	(288)	-	-	(2,156)
Interest income	-	-	-	788	788
ORBIT *	<u>1,705</u>	<u>(721)</u>	<u>(394)</u>	<u>788</u>	<u>1,378</u>
Other unallocated items					-
Profit before tax from continuing operations					<u>1,378</u>
Income tax income					<u>134</u>
Loss from continuing operations					<u>1,512</u>
Non-controlling interests					<u>206</u>
Loss attributable to owners of the parent					<u>1,718</u>
Other Material Items and Reconciliations:-					
Expenditure for non-current assets	64	72	-	-	136
Depreciation expense	1,868	288	-	-	2,156
Write-back of trade receivables	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
Assets and Reconciliations					
Total assets for reportable segments	85,798	10,940	6,714	-	103,452
Unallocated corporate assets	-	-	-	322	322
Total group assets	<u>85,798</u>	<u>10,940</u>	<u>6,714</u>	<u>322</u>	<u>103,774</u>
Liabilities and Reconciliations					
Total liabilities for reportable segments	3,669	147	7	-	3,823
Unallocated corporate liabilities:-					
Other payables				563	563
Income tax payable				15	15
Deferred tax liabilities				595	595
Total group liabilities	<u>3,669</u>	<u>147</u>	<u>7</u>	<u>1,173</u>	<u>4,996</u>

Information about major customers:-

There are no customers with revenue transactions of over 10% of the group revenue

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

The Group's operations are located in Singapore. An analysis of the Group revenue by geographical market which is analysed based on the billing address of each individual customer is provided below. In addition, the segment assets and capital expenditure analysed by the geographic area in which the assets are located are also tabled below.

	Revenue \$'000	Segment non-current assets \$'000	Segment assets \$'000	Capital expenditure \$'000
2019				
Singapore	31,175	34,243	108,274	53
Indonesia	2,526	-	1,021	-
Malaysia	6,186	-	305	-
Other regions	358	-	-	-
	<u>40,245</u>	<u>34,243</u>	<u>109,600</u>	<u>53</u>
	Revenue \$'000	Segment non-current assets \$'000	Segment assets \$'000	Capital expenditure \$'000
2018				
Singapore	29,135	26,073	103,555	136
Indonesia	3,473	-	26	-
Malaysia	4,090	-	153	-
Other regions	1,123	-	40	-
	<u>37,821</u>	<u>26,073</u>	<u>103,774</u>	<u>136</u>

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

Please refer to item no. 8.

- 16 A breakdown of sales**

	Group		
	Year ended 31/12/2019 S\$'000	Year ended 31/12/2018 S\$'000	Increase/ (Decrease) %
First Half			
Sales reported for first half year	<u>15,922</u>	<u>19,435</u>	(18)
Profit/(Loss) after tax and before minority interest for first half year	<u>(150)</u>	<u>689</u>	NM
Second Half			
Sales reported for second half year	<u>24,323</u>	<u>18,386</u>	32
Profit/(Loss) after tax and before minority interest for second half year	<u>655</u>	<u>823</u>	(20)

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

	Latest Full Year \$'000	Previous Full Year \$'000
Ordinary	1,706	1,706
Preference	-	-
Total	<u>1,706</u>	<u>1,706</u>

The above latest full year dividend amounts are estimated based on number of issued shares (excluding treasury shares) as at 31 December 2019.

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- 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(9) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

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	60	Brother of Lee Choon Bok Uncle of Lee Yih Chyi	Head of Production (since 1 July 2005). In charge of production and maintenance	NIL
Lee Yih Lin	46	Son of Lee Choon Bok Brother of Lee Yih Chyi 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 directives.	NIL

19 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.

BY ORDER OF THE BOARD

Teo Chia Hui
Company Secretary
13 February 2020