

**Issuer:** Asia Enterprises Holding Limited

**Security:** Asia Enterprises Holding Limited

**Meeting details:**

Date: 19 April 2018

Time: 10.00 a.m.

Venue: No. 3 Pioneer Sector Walk, Singapore 627897

**Company Description**

Asia Enterprises Holding Limited distributes steel products in Singapore, Indonesia, Malaysia, and internationally. The company's products include shipbuilding plates/high tensile plates, hot-rolled plates/chequered plates, wide-flanged beams, bulb flats, channels, equal angles/unequal angles/inverted angles, round/square/flat bars, hollow sections, seamless/ERW API grade pipes, and serrated galvanized gratings. It supplies approximately 25 product categories comprising 1,200 items of steel products to industrial end-users engaged in various activities. The company serves customers primarily in the marine and offshore, oil and gas, and construction industries, as well as precision metal stamping, manufacturing, and engineering/fabrication industries. Asia Enterprises Holding Limited was founded in 1961 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=A55](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A55))

1. In the Message to Shareholders (page 1 of the annual report), the weak and uncertain economic outlook was once again given as the reason for the subdued steel end-user market. In the local steel market, there has been a series of corporate moves, including consolidation of steel players in Singapore.

As at 31 December 2017, the group has cash and cash equivalents of \$57.2 million and it has said that it is “well-positioned to capitalise on business opportunities when there is a sustained recovery in demand from the major steel consuming industries.”

**(i) Can the board and management elaborate further if it had considered acquisitions to further strengthen and consolidate its position in the market, increase the scale of its operations and gain a larger network of customer?**

2. As a result of the decrease in China’s export volumes, a more balanced demand-supply dynamics resulted in an increase in average selling price of the group’s products and a better EBITDA of \$2.9 million in FY2017 (2016: \$2.0 million) although profit attributable to shareholders dropped to \$1.4 million in FY2017 due to the increased depreciation expense from the new warehouse at 36 Penjuru Lane.

**(i) With the expansion, what is the current utilisation of the group’s warehouses?**

**(ii) What is the improvement in the operational efficiency and productivity? Has management been able to achieve significant cost savings as a result?**

**(iii) How is the group leveraging the new warehouse to capitalise on the opportunities? Has management evolved its business model to take advantage of the new warehouse?**

In addition, the operating result before income taxes and other unallocated items (ORBIT) for the steel processing segment deteriorated to \$(537,000) in FY2017, the lowest level in the past ten years. The steel processing segment (a joint-venture with Marubeni-Itochu Steel Inc.) only reported a profit once of \$8,000 in FY2010 in the past ten years. **Would the board consider it opportune to carry out a strategic review of the processing segment to understand its capabilities and to redefine its strategic direction?**

3. The nominating committee (NC) comprises Mr Tan Keh Yan, Peter (as chairman), Mr Lee Bon Leong and Mr Teo Keng Thwan.

Mr Tan and Mr Teo were first appointed to the board on 22 July 2005 and 20 January 2005 respectively. Mr Tan and Mr Teo have each served on the board for over 12 years and over 13 years respectively.

As disclosed in the Corporate Governance Report, Mr Tan Keh Yan, Peter and Mr Teo Keng Thwan, both who have served on the Board beyond nine years from the dates of their first appointment, were subject to particularly rigorous review of their independence by members of the Board as recommended by Guideline 2.4 of the 2012 Code of Corporate Governance.

**(i) Can the board explain in greater detail how the particularly rigorous review was carried out?**

The NC has also stated that it is “satisfied that Mr Tan Keh Yan, Peter and Mr Teo Keng Thwan, having served on the Board for more than 9 years, continued to be considered independent” (page 10).

**(ii) As Mr Tan is the NC Chairman and Mr Teo is a NC member, can the NC describe in greater detail the process it went through to arrive at its conclusion? Was the review left solely to the third NC member, Mr Lee Bon Leong?**

Notwithstanding that the board is satisfied that the long tenured directors remain independent, Guideline 2.4 of the Code also calls for the board to “take into account the need for progressive refreshing of the Board.”

**(iii) Following the appointment of Mr Lee on 3 May 2012, what are the company’s near-term plans to progressively refresh the board?**