



ASIA ENTERPRISES HOLDING LIMITED

NEWS RELEASE

Asia Enterprises Net Profit Rises 124% to S\$3.7 Million in FY2013

- Bottom line growth lifted by improvement in gross profit margin
- Balance sheet remains sound with cash of S\$47.7 million and zero borrowings
- Group recommends final dividend of 0.5 cents per share, representing payout of 46% of net profit

Singapore, 28 January 2014 – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, today reported that its net profit rose 124% to S\$3.7 million for the 12 months ended 31 December 2013 (“FY2013”), driven by higher gross profit margin.

Group revenue in FY2013 however decreased 14% to S\$115.1 million due to a decline in sales volume and lower average selling prices. This is in line with the trend of international steel prices in 2013 which remained below the levels seen in 2012.

The decline in full-year revenue was due largely to the marine and offshore sector. Orders of steel products from this segment were lower in FY2013 as a result of slower newbuilding activities and intense market competition. On the other hand, sales to the engineering/fabrication customers remained steady in FY2013 despite lower average selling prices.

The Group’s gross profit however, rose 20% to S\$12.4 million in FY2013, lifted by higher gross profit margin of 10.8% compared to 7.8% previously. This was attributed to the Group’s prudent stock management which led to lower weighted average cost of inventory sold. As operating expenses remained steady in FY2013, the Group’s net profit rose at a faster pace than gross profit.

For the three months ended 31 December 2013 (“4Q13”), Group revenue slipped 11% to S\$23.0 million on weaker sales volume as compared to 4Q12. The Group however achieved a turnaround at the bottom line to report a profit of S\$0.4 million compared to a loss of S\$2.0 million in 4Q12. This was driven primarily by higher gross profit of S\$2.5 million in 4Q13 compared to S\$0.3 million in the same period a year ago.

As at 31 December 2013, Asia Enterprises maintained a sound balance sheet with cash of S\$47.7 million and zero borrowings. Shareholders’ equity stood at S\$109.7 million, which translates to a net asset value per share of 32.09 cents.

The Board of Directors is pleased to recommend a final dividend of 0.5 cents per share (around S\$1.7 million in total) with respect to FY2013. This translates into a dividend payout of around 46%.

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Steel consultancy MEPS said that 2013 is expected to be the low point in the latest steel price cycle. It predicted that average steel prices should expand in the years to 2016, based on expectations of a steady economic recovery which would underpin steel demand growth. However, the price increases in 2014 are anticipated to be fairly modest, below a double-digit rate¹.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, "The market sentiment was generally cautious during FY2013. In the face of fragile demand and ample inventory in the steel supply chain, end-users were more inclined to buy amounts sufficient to meet their immediate project requirements. This had a negative impact on the volume of steel orders in FY2013 and also led to intense industry competition.

While the macro-economic backdrop is anticipated to improve this year, steel market conditions could remain delicate in the short-term until demand is able to strengthen on a sustained basis. International steel prices appear to have reached a floor as the rate of price decline slowed towards the end of 2013. But the recent decline in iron ore prices, coupled with the mills' ability to raise their output fairly quickly, could limit any potential gain in steel prices in the absence of sustained end-user demand."

The Group expects challenging conditions to prevail and will continue to align its inventory strategy to changes in market situations and fluctuations in the US dollar. By maintaining financial prudence, the Group believes it can overcome challenges, and continue to explore and pursue growth opportunities when they arise.

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 28 January 2014.

About Asia Enterprises

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

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

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

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

¹ Sources: MEPS, "MEPS predicts world steel prices to rise over the next three years", published 8 January 2014; Reuters, "Steel market recovery to carry on despite EU, Asian price falls", published 11 December 2013