



ASIA ENTERPRISES HOLDING LIMITED

NEWS RELEASE

Asia Enterprises Remains Profitable in 3Q16

- Net profit of S\$0.2 million in 3Q16, compared to a net loss of S\$0.7 million in 3Q15
- Revenue in 3Q16 softened by 15% year-on-year due to lower ASP
- Recorded net profit of S\$1.7 million for 9M16, reversing the net loss of S\$1.7 million in 9M15
- Sound financial position supported by cash of S\$64.0 million and zero borrowings

Singapore, 8 November 2016 – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, has recorded three consecutive quarters of profits since the start of the year. This enabled the Group to post a net profit of S\$1.7 million for the nine months ended 30 September 2016 (“9M16”), which is a turnaround from the net loss of S\$1.7 million in 9M15.

Notwithstanding the difficult industry backdrop arising from slow business conditions and intense competition, the Group remained in the black with a net profit of S\$0.2 million for the three months ended 30 September 2016 (“3Q16”) compared to a net loss of S\$0.7 million in 3Q15.

While total sales volume remained relatively stable in 3Q16, the Group’s revenue softened by 15% to S\$6.4 million from S\$7.5 million in 3Q15 due to lower average selling prices (“ASP”). In spite of lower ASP, sales to the marine and offshore industry in 3Q16 improved from 3Q15 on the back of higher sales volume. This helped to partially cushion lower sales from the construction sector which saw weaker demand in 3Q16 versus 3Q15.

For 9M16, the Group’s revenue held steady at S\$24.6 million compared to S\$25.3 million in 9M15. The higher sales volume of steel products to the marine and offshore as well as construction sectors during 9M16 partially buffered the impact of lower ASP on Group revenue.

The Group recorded higher gross profit margins of 24.9% in 3Q16 and 26.6% in 9M16, compared to 9.5% and 12.3% for 3Q15 and 9M15 respectively. This was due mainly to lower weighted average cost of inventory sold following a write-down in the value of its steel inventory at the end of 2015.

As a result of higher gross profit and its tight control of operating expenses, the Group achieved a turnaround in its bottom line for both 3Q16 and 9M16 compared to the corresponding periods last year.

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As at 30 September 2016, the Group maintained a sound financial position with cash and cash equivalents of S\$64.0 million and zero borrowings. Its net asset value per share of 27.11 cents included cash and cash equivalents of 18.75 cents per share, and inventory of steel products with book value of 3.79 cents per share.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, "During 9M16, we saw a moderate pick-up in the purchases of steel materials by industrial end-users compared to the same period last year. However, the overall steel demand remains modest. The cautious market sentiment is also resulting in uneven end-user demand and intense competition within the steel distribution industry.

Following a recovery in the first half of 2016, steel prices retreated slightly in 3Q16. As such, the Group's average selling prices over 9M16 were still lower compared to 9M15. While the current international steel prices have started to turn upwards from 3Q16, prices are expected to remain volatile in view of the ongoing uncertainties in the global economies and supply-side concerns in the steel industry."

The Group expects the operating environment to remain challenging especially during the fourth quarter which is traditionally a slower period.

As part of its efforts to enhance shareholder value, Asia Enterprises had purchased a total of 473,600 shares in the Company from the open market as at 30 September 2016, since receiving the Share Buy Back mandate earlier this year.

Said Ms Lee, "With no borrowings and a strong cash balance, we believe the Group has the ability to weather the slow business climate. The Group's belief in safeguarding our financial strength allows us to have the resources to respond quickly to a recovery in steel demand when it arises, and also improve our operations. The redevelopment of one of our three warehouses in Singapore is ongoing and completion is expected to take place by the first quarter of 2017."

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 8 November 2016.

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