



ASIA ENTERPRISES HOLDING LIMITED

## NEWS RELEASE

### **Asia Enterprises Posts Increased Revenue and Net Profit in 9M18**

- PATMI increased 139% to S\$1.0 million in 9M18 from S\$0.4 million in 9M17
- Group revenue climbed 17% to S\$28.5 million in 9M18
- Strong financial position with cash of S\$43.1 million and zero borrowings

**Singapore, 8 November 2018** – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, today reported higher net profit attributable to shareholders (“PATMI”) of S\$1.0 million for the nine months ended 30 September 2018 (“9M18”). This represented an increase of 139% from S\$0.4 million in 9M17.

Group revenue also climbed 17% to S\$28.5 million in 9M18, buoyed by higher average selling prices (“ASP”) of steel materials and relatively stable sales volume compared to 9M17. The marine and offshore segment, which remained as the Group’s largest end-user market, witnessed increased sales in 9M18 as a result of better ASP and steady volume of sales. Sales to customers in the engineering/fabrication sector also increased in 9M18 compared to 9M17. Sales to the construction segment in 9M18 rose on the back of higher customer orders and ASP compared to 9M17.

The Group’s gross profit margin in 9M18 softened to 22.0% from 27.3% in 9M17. This was due mainly to an increase in its weighted average cost of inventory sold as the cost of replenishing its stock of steel products rose in tandem with the increase in international steel prices between the two reporting periods.

Notwithstanding a lower gross profit, the Group reported a significant increase in PATMI due to lower operating expenses and a foreign exchange adjustment gain in 9M18. The Group’s PATMI before interest, tax and depreciation (“EBIDTA”) also rose to S\$2.1 million in 9M18 from S\$1.6 million in 9M17.

For the three months ended 30 September 2018 (“3Q18”), the Group’s revenue eased 4% to S\$9.1 million from S\$9.4 million in 3Q17. Coupled with softer gross profit margin, the Group saw a decrease in PATMI to S\$0.2 million in 3Q18 from S\$0.3 million in 3Q17.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, “The business environment in 3Q18 was weighed down by soft end-user demand and intense market competition. Amid this backdrop, the Group saw a reduction of its sales volume in 3Q18 compared to the year-ago period as we continue to place emphasis on profitability and credit quality to safeguard our financial position.

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Nevertheless, for the year-to-date, the Group's top line in 9M18 gained 17% as a result of overall stable sales volume and higher average selling prices because of the increase in international steel prices between 9M18 and 9M17.

Although the recovery in the prices of oil and other commodities this year has helped to lift the mood slightly in the marine and offshore sector, the sentiment among industry players continues to be cautious amid the macro-economic uncertainties. In addition, business conditions of the shipyards in the region can vary significantly, resulting in uneven demand for steel materials from customers in the marine and offshore industry. For 9M18, the Group generated relatively steady volume of sales from the marine and offshore sector compared to 9M17 due mainly to increased steel purchases from shipyards in Singapore."

In view of the continuing uncertainties in the global economy and intense market competition, Asia Enterprises envisages business conditions in the region's steel distribution segment to remain challenging. The Group could also see further increases in its weighted average cost of inventory due to potentially higher cost of inventory replenishment if international steel prices continue to rise and/or the US Dollar appreciates further against the Singapore Dollar.

"Looking ahead, the stability and recovery of the oil markets will be key to the flow of business activities to the shipyards and engineering companies in the oil and gas supply chain. While we did see some signs of a pick-up in activities for selected customer segments, this trend is not broad-based and remains subject to external economic or political shocks. The Group's strategy is to remain close to our customers and monitor their demand trends and purchasing patterns. With a sound balance sheet, we have the financial strength to ensure the Group has sufficient inventory of relevant steel products to respond quickly to customers' requirements," said Ms Lee.

The Group will maintain a prudent expense structure and stay vigilant on its credit exposure to remain in good financial health. As at 30 September 2018, the Group's balance sheet comprised cash and cash equivalents of S\$43.1 million and zero borrowings. Its net asset value per share stood at 27.23 cents which includes cash of 12.64 cents per share and steel inventory with book value of 6.18 cents per share.

*This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 8 November 2018.*

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### **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.

Asia Enterprises presently owns three facilities in Singapore – a multi-storey warehouse, a single-storey warehouse and a steel processing plant-cum-warehouse – with a total 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](http://www.asiaenterprises.com.sg)