



ASIA ENTERPRISES HOLDING LIMITED

NEWS RELEASE

Asia Enterprises Achieves Profit Turnaround in 1Q16

- Net profit of S\$0.8 million in 1Q16, reversing a net loss of S\$0.6 million in 1Q15
- Revenue dipped by 2% to S\$9.7 million in 1Q16 due to lower average selling prices
- Maintained sound financial position with cash per share of 19.86 cents and zero borrowings
- Group is well-positioned to withstand the current slowdown in the global steel industry

Singapore, 4 May 2016 – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, achieved a turnaround in the first quarter ended 31 March 2016 (“1Q16”) with a net profit of S\$0.8 million. This was a reversal from the net loss of S\$0.6 million in 1Q15.

Although the market demand for steel products continued to be modest, the Group registered higher sales volume in 1Q16 compared to 1Q15 and 4Q15. This was driven more by the restocking activities of customers for their immediate requirements rather than a firm recovery in end-users’ business activities. The Group’s revenue in 1Q16 however eased 2% to S\$9.7 million from S\$9.9 million in 1Q15 due to lower average selling prices.

Sales to the marine and offshore sector in 1Q16 remained relatively stable compared to the same period last year. The Group registered higher sales to customers in the construction sector which helped to buffer the decline in sales to the engineering/fabrication segment in 1Q16.

On a sequential basis, Group revenue in 1Q16 climbed 38% from S\$7.0 million in 4Q15 due to higher orders from customers in the marine and offshore, and construction sectors.

The Group recorded a higher gross profit margin of 25.6% in 1Q16 compared to 13.9% in 1Q15 due mainly to lower weighted average cost of inventory sold following a write-down in the value of its steel inventory during 4Q15. The increase in gross profit, coupled with a decrease in operating expenses, enabled the Group to return to the black in 1Q16.

The Group’s financial position remained robust at the end of March 2016. Shareholders’ equity stood at S\$93.4 million which translated to a net asset value per share of 27.33 cents. The Group also had cash and cash equivalents of S\$67.9 million and remained debt free.

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Managing Director of Asia Enterprises, Ms Yvonne Lee said, “Although international steel prices have improved since the start of 2016 after a continual downtrend last year, steel prices in 1Q16 were still below the levels seen in 1Q15. Moreover, it is uncertain whether the recent price increase points to a sustainable recovery as end-user demand for steel products has generally been subdued. Hence, we will continue to monitor the global steel market closely as the trend of international steel prices also affects our cost of inventory replenishment.”

Steel consultancy firm, MEPS, believes that the rise in global transaction values is mainly supply-driven, either through steel mills closing or scaling back production. MEPS believes that any prolonged recovery is unlikely unless the global production overcapacity is addressed further.

Said Ms Lee, “In view of the supply-side uncertainties, steel price volatility and demand challenges, the operating environment for the global steel industry is expected to remain difficult during this period. However, we are confident that the Group is well-positioned to withstand slower business periods. Our financial fundamentals are strong as we have been consistently disciplined and prudent in managing the Group’s business. In addition, Asia Enterprises is helmed by an experienced management team who has navigated the Group through numerous economic and industry cycles.”

The Group plans to continue keeping a close watch on its operating overheads while prudently managing its inventory purchases to ensure an optimal stock level and product mix. This will enable the Group to sustain its market competitiveness by meeting customers’ needs for a “one-stop” solution and “just-in-time” delivery.

This news release is to be read in conjunction with the Group’s announcement posted on the SGX website on 4 May 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