



ASIA ENTERPRISES HOLDING LIMITED

NEWS RELEASE

Asia Enterprises Posts Weaker Results in 1Q17 But Remains in a Strong Financial Position

- 1Q17 revenue down year-on-year due to sluggish demand for steel from end-users
- Group's gross profit margin expanded to 31.4% on higher average selling prices
- Lower revenue and higher depreciation charges resulted in a net loss in 1Q17
- Maintained sound financial position at the end of 1Q17 - NAV per share of 27.15 cents; cash per share of 17.73 cents

Singapore, 4 May 2017 – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, today reported its financial results for the three months ended 31 March 2017 (“1Q17”).

Cautious business sentiment in the major steel consuming industries resulted in sluggish demand for steel products during 1Q17. Due to the slower market environment, the Group saw its revenue decrease 46% to S\$5.2 million in 1Q17 as lower sales orders were recorded from customers in its key industry segments, namely marine and offshore, engineering/fabrication and construction.

While the Group's gross profit margin in 1Q17 expanded to 31.4% from 25.6% in 1Q16 on the back of higher average selling prices, this was insufficient to counterbalance the impact of lower sales which led to a 34% decline in its gross profit to S\$1.6 million in 1Q17.

The Group also recorded higher administrative expenses of S\$2.2 million in 1Q17, as compared to S\$1.7 million in 1Q16. This was attributable mainly to an increase in depreciation charges of S\$0.5 million following the completion of a warehouse redevelopment towards the end of 2016. As a result of slower sales and higher depreciation charges, the Group posted a net loss of S\$0.6 million in 1Q17, as compared to a net profit of S\$0.8 million in 1Q16.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, “Steel end-users remained cautious in the restocking of steel materials during the first few months of 2017 due to the prevailing global economic uncertainties, current slowdown in the offshore and marine sector, and tighter financing conditions which could affect the end-users' new projects. In tandem with lower activities of our customers, the Group experienced reduced demand for steel products in 1Q17 compared to the same period last year.

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While the slow market conditions and higher depreciation charges caused the Group to slip into a net loss in 1Q17, we remain in a sound financial position with a cash balance of S\$60.5 million at the end of the quarter.”

As at 31 March 2017, the Group’s net asset value per share stood at 27.15 cents which included cash and cash equivalents of 17.73 cents per share and inventory of steel products with book value of 3.41 cents per share.

In view of uneven end-user demand, as well as the volatility of international steel prices and intense competition in the steel industry, the operating environment for the Group is expected to remain challenging.

Said Ms Lee, “As our steel products can be used in various industries, the Group will continue to engage our customers closely, stay abreast of market trends and adopt a flexible sales strategy to seize demand opportunities that arise. Given our financial strength and experienced management team, we are confident that Asia Enterprises has the ability to withstand the current industry slowdown and is well prepared to capitalise on any recovery in steel demand.”

This news release is to be read in conjunction with the Group’s announcement posted on the SGX website on 4 May 2017.

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