



ASIA ENTERPRISES HOLDING LIMITED

## NEWS RELEASE

### **Asia Enterprises' Profit Turnaround Continues in 2Q16**

- Net profit of S\$0.7 million in 2Q16, compared to a net loss of S\$0.5 million in 2Q15
- Revenue rose 8% to S\$8.5 million in 2Q16 driven by higher sales volume
- 1H16 net profit of S\$1.5 million, reversing the net loss of S\$1.0 million in 1H15
- Sound financial position with cash per share of 19.90 cents and zero borrowings
- Group taking advantage of current industry slowdown to redevelop its warehouse and upgrade its equipment

**Singapore, 2 August 2016** – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, has continued its profit turnaround in the second quarter ended 30 June 2016 (“2Q16”).

Asia Enterprises today posted a net profit of S\$0.7 million for 2Q16 from a net loss of S\$0.5 million in 2Q15. The turnaround was achieved on revenue growth of 8% year-on-year to S\$8.5 million and expansion of gross profit margin in 2Q16.

The Group's revenue in 2Q16 improved on the back of higher volume of sales to the marine and offshore, and construction sectors as customers continued to restock steel materials to fulfill their immediate project requirements. The increase in sales volume was however partially offset by lower average selling prices in 2Q16 which were still below the levels seen in 2Q15.

With two consecutive quarters of profitable performance, the Group reported a net profit of S\$1.5 million for the first six months ended 30 June 2016 (“1H16”), reversing the net loss of S\$1.0 million in 1H15. Despite lower average selling prices in 1H16, Group revenue increased 2% to S\$18.2 million, lifted mainly by higher sales volume to customers in the marine and offshore, and construction segments.

The Group recorded higher gross profit margins of 29.1% in 2Q16 and 27.3% in 1H16, compared to 13.0% and 13.5% for 2Q15 and 1H15 respectively. This was due mainly to the improvement in international steel prices since the beginning of 2016, coupled with the lower weighted average cost of inventory sold following a write-down in the value of its steel inventory at the end of 2015.

As at 30 June 2016, the Group remained in a sound financial position with cash and cash equivalents of S\$68.1 million and zero borrowings. Its net asset value per share of 27.04 cents included cash and cash

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equivalents of 19.90 cents per share, and inventory of steel products with book value of 3.93 cents per share.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, "While the Group has delivered an encouraging performance in 1H16, we are maintaining a cautious view of the business environment due to ongoing uncertainties in the global economy, supply-side concerns in the steel industry and modest end-user demand."

Steel consultancy firm, MEPS, said its World All Products Composite Steel Prices increased for six consecutive months between January and June 2016. MEPS predicts that steel prices are now close to the peak for the current cycle amid a modest global demand outlook.

Said Ms Lee, "With our sound balance sheet, we believe the Group is well-positioned to withstand slower business periods and ready to capitalise on a recovery in business activities of the major steel consuming industries. In fact, we are currently taking advantage of the slower market conditions to redevelop one of our three warehouses in Singapore and upgrade our equipment."

Expected to be completed by the end of 2016, the new warehouse will see a 30% expansion in gross floor area and a doubling of its original storage capacity. The new warehouse will also have additional loading bays and be equipped with new cranes that have higher lifting capacities.

"On its completion, Asia Enterprises will have one of the largest multi-storey covered warehouses for steel products in Singapore. The improved design and layout of the new warehouse will enable us to improve our operational efficiency and productivity, and achieve better utilisation of our manpower resources. This will help to sharpen our market competitiveness and enhance our customer service standards," said Ms Lee.

*This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 2 August 2016.*

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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.

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](http://www.asiaenterprises.com.sg)