



ASIA ENTERPRISES HOLDING LIMITED

NEWS RELEASE

Asia Enterprises' 1H22 Net Profit Soars 88% to \$2.4M

- Group revenue surged 76% to \$31.0 million in 1H22
- Sound balance sheet with cash of \$43.1 million and zero borrowings

Singapore, 11 August 2022 – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, today reported that its net profit for the six months ended 30 June 2022 (“1H22”) soared 88% to \$2.4 million from \$1.3 million in 1H21.

This was achieved on the back of a substantial increase of 76% in Group revenue to \$31.0 million in 1H22 from \$17.6 million in 1H21. The expansion in top line was driven by increased volume of sales and higher average selling prices (“ASP”).

Indeed, the Group witnessed a broad-based increase in sales across its key end-user industries during 1H22 compared to 1H21.

The marine and offshore segment registered the strongest improvement as sales surged 84% to \$23.6 million in 1H22 from the year-ago period. This was attributed mainly to increased volume of sales to shipyards in Indonesia as demand rose in tandem with customers’ newbuilding activities. The marine and offshore segment continued to account for the largest proportion of Group revenue with a contribution of 76% in 1H22.

Sales to the engineering/fabrication and construction segments also improved in 1H22, lifted mainly by a pick-up in purchases of steel raw materials by customers for their projects. The engineering/fabrication segment recorded sales of \$3.7 million in 1H22 compared to \$2.0 million in 1H21, and accounted for 12% of Group revenue. Sales to customers in the construction segment also rose to \$0.9 million in 1H22 from \$0.5 million previously and made up 3% of Group revenue.

On a geographical basis, the Group recorded higher billings from customers across its key markets in 1H22. Based on billings to customers in Singapore which comprise products that are shipped to domestic and overseas destinations, sales derived from the Singapore market rose 9% to \$14.3 million in 1H22. This segment accounted for 46% of Group revenue in 1H22.

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Sales to Indonesia jumped by more than three-fold to \$15.3 million in 1H22 on higher volume of sales to customers in the marine and offshore sector. As a result, the revenue contribution from Indonesia segment expanded to 49% in 1H22. Revenue derived from the Malaysia market also climbed to \$1.3 million in 1H22 from \$0.7 million in the year-ago period to account for 4% of Group revenue.

Gross profit margin in 1H22 however softened to 23.8% from 29.8% in 1H21 as the Group's weighted average cost of inventory sold rose in tandem with international steel prices.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, "The performance in 1H22 was spurred by a pick-up in customers' purchases of steel products for their shipbuilding and engineering projects. In particular, we saw higher deliveries to customers between the end of first quarter and early part of second quarter of 2022 when prices of commodities including steel products escalated as a consequence of the Russian-Ukraine conflict.

Notwithstanding the better financial performance in 1H22, we are maintaining a cautious stance in view of the significant uncertainties clouding the outlook for the global economy and business environment. Operating conditions in the steel industry are also difficult due to interruptions in deliveries of steel materials and volatility in international steel prices."

The outlook for the global economy remains fraught with uncertainties and challenges as the prevailing geopolitical tensions and fluid pandemic situation may continue to disrupt business activities, exert stress on supply chains and fuel inflationary pressures as well as interest rate increases.

Besides driving up costs of commodities, the Russian-Ukraine conflict has led to freight uncertainties and hampered deliveries of steel products from Europe. Deliveries of steel products from China also faced delays as a result of COVID-related shutdowns and mobility restrictions. While the situation has since eased slightly, the uncertain freight schedules for incoming shipment of products from steel mills may have an impact on the Group's sales in the second half of 2022 ("2H22").

In addition, fluctuations in international steel prices may also affect the demand and purchasing patterns of steel industrial end-users. Following a spike at the start of the year due to the war in Ukraine, international steel prices have softened subsequently in the second quarter of 2022. As a result, end-users are taking a wait-and-see approach on new orders as changes in the prices of steel raw materials can significantly affect the economic viability of their projects.

Said Ms Lee, "Amid volatile steel prices and business outlook, the purchasing patterns and new orders from our industrial end-users may remain unpredictable in 2H22. Additionally, the recent decline in international steel prices may also affect the Group's gross profit margin as our inventory replenishment activities typically have a delayed effect on the Group's weighted average cost of inventory.

While business conditions in 2H22 are envisaged to be challenging, the Group is confident of its ability to weather any difficult business cycles given our strong and debt-free balance sheet. We will continue to exercise prudent inventory management and calibrate the level and mix of our stock of steel products according to market supply, prices and customers' requirements."

The Group closed 1H22 on a sound financial footing with cash of \$43.1 million and shareholders' equity of \$95.9 million. Net asset value of 28.1 cents per share as at 30 June 2022 included cash and cash equivalents of 12.6 cents per share and inventory with book value of 6.8 cents per share.

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 11 August 2022.

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 two facilities in Singapore – a multi-storey warehouse and a steel processing plant-cum-warehouse – with a total combined land area of 33,769 square metres.

The Group supplies over 1,200 steel products to more than 700 active customers involved primarily in marine and offshore, engineering/fabrication, oil and gas, construction, as well as precision metal stamping and manufacturing industries.

Asia Enterprises 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