

NEWS RELEASE

Asia Enterprises Maintains Financial Strength Amid Soft Steel Demand Conditions

- 1Q19 revenue down year-on-year due to slow demand for steel products
- Maintains its cash-rich, debt-free position at the end of 1Q19 despite posting a marginal loss
- NAV per share of 27.3 cents includes cash of 13.8 cents and inventory of 5.3 cents
- Group confident of its business resilience and sustainability to withstand challenging market conditions

Singapore, 7 May 2019 – 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 2019 (“1Q19”).

Due to slower demand conditions from steel end-users during 1Q19, the Group’s revenue decreased 17% to S\$7.1 compared to S\$8.5 million in 1Q18. While the Group experienced firm orders from its customers in the marine and offshore segment in 1Q19, this was offset by softer demand for steel materials from end-users in the engineering/fabrication and construction sectors.

As a result of lower revenue, the Group’s gross profit declined 28% to S\$1.4 million. Its gross profit margin narrowed to 19.4% from 22.4% in 1Q18. The Group’s weighted average cost of inventory sold in 1Q19 was relatively higher compared to 1Q18 due to the increased cost of replenishing its steel inventory. While the Group’s operating expenses remained stable in 1Q19, the combined impact of the revenue decline and reduced gross profit margin led to a net loss of S\$0.5 million in 1Q19 compared to a profit of S\$0.1 million in the corresponding quarter a year ago.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, “The Group witnessed an overall moderation in demand for steel products during the first three months of the year. While demand from the marine and offshore sector was relatively stable on the back of ongoing ship building and repair activities from our customers in the Singapore market, the steel requirements of customers in the engineering/fabrication and construction industries were weaker due to a lower number of large infrastructure projects.”

The Group expects the operating environment in the region’s steel distribution segment to remain challenging in 2019 due to potential macroeconomic risks and uneven customer demand in some of the industry segments it serves. In addition, intense competition in the region’s steel distribution industry is likely to prevail while the Group’s inventory replenishment costs and market selling prices will be affected by movements in both international steel prices as well as the US Dollar against the Singapore Dollar.

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“Going forward, we will continue to closely monitor the demand trends and purchasing patterns of the major steel end-users and focus on seeking profitable opportunities to address those industry segments that have better demand prospects. We will also ensure the Group has sufficient and relevant inventory of steel products to meet the requirements of our customers.

At the same time, the Group will maintain our long-standing practice of financial prudence by keeping a close watch on our expense structure and staying vigilant on credit exposure in view of the fragile business environment. We are confident that Asia Enterprises has the business resilience and sustainability to withstand challenging market conditions due to our sound financial position,” said Ms Lee.

As 31 March 2019, the Group had a robust balance sheet with cash and cash equivalents of S\$47.0 million and zero borrowings. On a per share basis, the Group had a net asset value of 27.3 cents which included cash and cash equivalents of 13.8 cents and inventory with book value of 5.3 cents.

This news release is to be read in conjunction with the Group’s announcement posted on the SGX website on 7 May 2019.

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.

The Group 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.

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