

NEWS RELEASE

Asia Enterprises Posts Net Profit of S\$0.4 million in 2Q19

- 2Q19 revenue down 19% year-on-year due to subdued demand for steel products
- Sustained its sound and debt-free financial position at the end of 2Q19
- Group confident of its ability to withstand challenging market conditions

Singapore, 6 August 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 30 June 2019 (“2Q19”).

The end-user demand for steel products remained subdued and led to a 19% decline in Group revenue to S\$8.9 million in 2Q19. The Group witnessed slower demand from customers in the marine and offshore, engineering/fabrication and construction sectors. On a sequential basis however, Group revenue increased 25% from S\$7.0 million in 1Q19 on the back of higher orders from customers in the marine and offshore, and construction sectors.

The Group’s gross profit decreased 33% to S\$1.7 million in 2Q19 in tandem with lower revenue. As the weighted average cost of inventory sold in 2Q19 was higher compared to 2Q18, the Group’s gross profit margin eased to 18.8% compared to 22.9% in 2Q18. While the Group incurred lower operating expenses in 2Q19, this was insufficient to offset the combined impact of lower revenue and reduced gross profit margin. As a result, the Group reported a lower net profit attributable to equityholders of S\$0.4 million in 2Q19 compared to S\$0.7 million in 2Q18.

For the first six months ended 30 June 2019 (“1H19”), Group revenue softened 18% to S\$15.9 million. Amid tough operating conditions, the Group posted a marginal loss attributable to equityholders of S\$37,000 compared to net profit of S\$0.8 million in 1H18. Excluding interest, income tax and depreciation expenses, the Group recorded earnings attributable to equityholders of S\$1.0 million in 1H19, compared to S\$1.6 million in 1H18.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, “The end-user demand for steel materials remained slow and uneven during the first six months of 2019. Notwithstanding intense competition in the steel distribution industry, the Group’s sales to the Singapore market held firm in 1H19. This was buoyed by improved demand from local shipyards which counterbalanced the lower orders from customers in the

engineering/fabrication and construction sectors. However, the stable sales of our Singapore segment was offset by reduced revenue from our other key markets in Indonesia and Malaysia in 1H19.

The varied sales performances reflect the uneven demand for steel materials across geographical regions and end-user industries. In addition, we are also more prudent in our sales management to mitigate any potential business risks in view of the prevailing uncertainties in the global economy.

Nevertheless, we remain confident of the Group's business resilience and sustainability. We will continue to safeguard our sound financial position which will enable the Group to overcome market headwinds."

Indeed, the Group closed the financial quarter with a healthy balance sheet comprising cash and cash equivalents of S\$47.6 million and zero borrowings. On a per share basis, the Group had a net asset value of 26.9 cents which included cash and cash equivalents of 13.9 cents and inventory with book value of 5.4 cents.

The operating environment is envisaged to remain difficult as business sentiment continues to be affected by ongoing concerns over the outlook of the global economy. Demand uncertainties may also keep a lid on global steel prices. As such, the Group expects muted customer demand and keen market competition to prevail in the second half of 2019. Cost of inventory replenishment and market selling prices will continue to be influenced by movements in international steel prices and the US Dollar against the Singapore Dollar.

As part of its prudent financial management, the Group will stay vigilant on credit exposure and maintain tight control of expenses. To keep ahead of the competition in the steel distribution industry, the Group will continue to focus on end-users' requirements for quality assurance, product diversity, and quick turnaround to elevate its value to customers. Hence, the Group will closely monitor the demand trends and purchasing patterns of major steel end-users, and ensure it has sufficient and relevant inventory to provide shorter delivery lead times to customers.

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 6 August 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