

NEWS RELEASE

Asia Enterprises Posts Profit Turnaround in 1H20 on the Back of Higher Revenue Amid Challenging Market Conditions

- Revenue jumped 76% to S\$28.0 million in 1H20, driven by higher sales to the marine and offshore and engineering/fabrication segments
- Group reported net profit of S\$0.2 million in 1H20 compared to a net loss of S\$37,000 in 1H19
- Sound financial position with cash of S\$44.9 million and zero debt

Singapore, 6 August 2020 – Asia Enterprises Holding Limited (“Asia Enterprises” or the “Group”), a major regional distributor of steel products to industrial end-users, today reported a net profit attributable to equityholders (“net profit”) of S\$0.2 million for the 6 months ended 30 June 2020 (“1H20”), compared to a net loss of S\$37,000 in 1H19.

The turnaround in the Group’s bottomline in 1H20 was achieved on the back of a 76% jump in revenue to S\$28.0 million. The strong revenue growth in 1H20 was due mainly to higher volume of sales. This more than offset the impact of lower average selling prices (“ASP”) which softened in tandem with declining international steel prices and intense market competition.

During 1H20, the Group sold a higher volume of steel products to its customers in the marine and offshore and engineering/fabrication segments. On a geographical basis, an increase in the Group’s sales to the Indonesia market in 1H20 more than counterbalanced a slight sales decline in Singapore. While Asia Enterprises was permitted to continue operating its steel distribution business in Singapore during the circuit breaker period, the restrictions put in place by the government to curb the spread of Covid-19 had led to delays in end-users’ projects as a result of workforce and supply chain disruptions during the second quarter of 2020.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, “Despite operating under extremely challenging conditions since the start of this year, the Group still managed to increase revenue and returned into the black with a modest profit in 1H20. This result can be attributed to the hard work and efforts of our people. As such, we were able to benefit from the significant increase in demand from the marine and offshore sector, particularly shipyards in Indonesia which had higher purchasing requirements of steel products for newbuilds of smaller vessels.”

MEDIA AND INVESTOR RELATIONS CONTACT

OCTANT CONSULTING

phone (65) 62963583

Herman Phua | mobile 9664 7582 | email herman@octant.com.sg

Lisa Heng | mobile 9090 9887 | email lisa@octant.com.sg

Looking ahead to the second half of 2020, the Group expects business conditions to remain challenging in view of the economic fallout from the Covid-19 pandemic. Given the continued uncertainty surrounding the Covid-19 situation and changing government measures that could disrupt business activities, the global economy appears fragile as the outlook remains unclear.

“As the Covid-19 pandemic continues to take a toll on the local and global economies, this could lead to a slowdown in the project pipeline of end-users’ industries which will in turn have an adverse impact on the demand for steel.

In Singapore, projects in the offshore and marine sector could be hampered by reduced investment plans by energy companies due to the unprecedented decline in worldwide oil consumption and weaker crude oil prices. While the Group witnessed better steel demand in Indonesia during 1H20, we remain cautious of the strength and sustainability of the recovery as it depends on the extent of Covid-19 impact on the country’s economic and business activities during the second half of the year,” said Ms Lee.

In its short range outlook released on 4 June 2020, worldsteel projected global steel demand to contract by 6.4% to 1,654 million tonnes (Mt) in 2020 due to the Covid-19 crisis followed by a gradual recovery with growth of 3.8% to 1,717 Mt in 2021. These forecasts by worldsteel were made on the assumptions that most countries’ lockdown measures will continue to be eased and major steelmaking economies do not suffer from substantial secondary waves of the pandemic.

On a positive note, the Group has thus far, not witnessed any major disruptions to the global steel supply chain and continues to replenish its steel inventory from suppliers in Asia and Europe. Nonetheless, the Group is closely monitoring the market for signs of potential supply chain disruptions. Keen market competition, fluctuations in international steel prices and movements in the US Dollar vis-à-vis the Singapore Dollar will also continue to affect the Group’s cost of inventory replenishment and market selling prices.

“Although the path ahead is fraught with uncertainties, we believe the Group’s sound and debt-free balance sheet will enable us to withstanding challenging business periods. To ensure long term sustainability, we will continue to exercise prudence and vigilance in our sales, inventory and credit management to safeguard the Group’s financial position,” said Ms Lee.

As at 30 June 2020, the Group had a balance sheet that was backed by cash of S\$44.9 million and zero debt. On a per share basis, the Group had net asset value of 27.5 cents which included cash and cash equivalents of 13.2 cents and inventory with book value of 4.5 cents.

This news release is to be read in conjunction with the Group’s announcement posted on the SGX website on 6 August 2020.

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