



ASIA ENTERPRISES HOLDING LIMITED

NEWS RELEASE

Asia Enterprises Reports Jump in Net Profit to S\$1.3M in 1H21

- 1H21 net profit exceeded full-year net profit in FY2020
- Group revenue softened in 1H21 due to lower volume of steel products sold
- Gross profit margin expanded to 29.8% in 1H21 on the back of higher ASP
- Sound financial position with cash of S\$49.0 million and zero borrowings

Singapore, 5 August 2021 – 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 of S\$1.3 million for the six months ended 30 June 2021 (“1H21”), a sharp increase from S\$0.2 million in 1H20.

This improved bottom line performance was attained despite a 37% decline in Group revenue to S\$17.6 million in 1H21. The decreased revenue was due mainly to lower volume of sales of its steel products, which was compensated partially by higher average selling prices (“ASP”). International prices of steel products have been trending higher since the last quarter of 2020 due to a situation of tight supply against rising demand as global economies recover.

Thanks to the higher ASP, the Group saw its gross profit increase 32% to S\$5.2 million in 1H21 from S\$4.0 million in 1H20. As a result, gross profit margin expanded to 29.8% compared to 14.1% in 1H20.

Managing Director of Asia Enterprises, Ms Yvonne Lee said, “Despite the difficult operating backdrop, we are encouraged that the Group was able to register an improved net profit for 1H21 that has exceeded the full-year net profit reported for the 12 months ended 31 December 2020 (“FY2020”). While the upward trend of international steel prices has helped to drive profitability in 1H21, we are mindful of the impact of rising costs of steel materials and fluctuating market conditions on end-user demand in the industries that the Group serves.”

Indeed, the Group witnessed a broad-based decline in order volumes from its customers in 1H21. Sales to the marine and offshore segment slipped 43% to S\$12.8 million in 1H21. Nonetheless, it remained as the Group’s largest industry segment with a revenue contribution of 73% in 1H21. Revenue derived from the engineering/fabrication segment also softened 23% to S\$2.0 million in 1H21 to account for 11% of Group sales in 1H21. Sales to the construction segment eased to S\$0.5 million in 1H21 as construction project

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schedules in Singapore continued to be hampered by manpower constraints amid the Covid-19 pandemic. It made up 3% of Group revenue in 1H21.

On a geographical basis, an increase in the Group's sales to the Singapore market in 1H21 partially cushioned the impact of a sales decline to the Indonesia market. Sales to customers in Singapore climbed 19% to S\$13.1 million on the back of stable sales volume and higher ASP. As a result, the Singapore market accounted for 74% of Group revenue in 1H21. On the other hand, sales to Indonesia market fell 77% to S\$3.7 million due mainly to a contraction in orders from shipyards there. This reduced the Indonesia market's revenue contribution to 21% in 1H21. Revenue derived from Malaysia market eased to S\$0.7 million in 1H21 and made up 4% of Group revenue in 1H21.

Looking forward, the global economy is expected to be weighed down by the Covid-19 pandemic as the emergence of new variants has caused a resurgence in infections worldwide. While the global economy is widely expected to continue growing this year, the spread of new variants and fresh wave of infections could lead to renewed lockdown measures and pose risks to the recovery.

In addition, the current uptrend in steel prices could have a major impact on the economic viability of new projects of steel end-users which would affect their purchasing patterns. Coupled with the prevailing economic uncertainties, end-users are likely to remain cautious in their purchases of steel raw materials.

"We foresee that business conditions will remain challenging as steel demand from industrial end-users in our key markets could remain muted due to the higher steel prices and uncertain business outlook. On the supply side, the cost of replenishing steel inventories has also risen while lead times for delivery of shipments from steel mills have lengthened due to supply chain disruptions and tight availability. As such, we will continue to focus on prudent management of the Group's inventory purchases and ensure that our stock level and mix of steel products are aligned to the project requirements of customers," said Ms Lee.

As at 30 June 2021, the Group had cash and cash equivalents of S\$49.0 million and zero borrowings. On a per share basis, the Group had net asset value of 27.5 cents that included cash and cash equivalents of 14.4 cents and inventory with book value of 4.2 cents.

With its sound and debt-free balance sheet, the Group believes it is well-positioned to overcome difficult business cycles. It will continue to exercise prudence and vigilance in its sales, inventory and credit management, as well as to ensure tight management of operating expenses to safeguard its financial position.

This news release is to be read in conjunction with the Group's announcement posted on the SGX website on 5 August 2021.

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