

ASIA ENTERPRISES HOLDING LIMITED

(Company Registration No. 200501021H)

Unaudited First Quarter Financial Statement for the Period ended 31 March 2014

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	1Q ended 31/03/2014 S\$'000	1Q ended 31/03/2013 S\$'000	% + / (-)
Revenue	21,934	40,254	(46)
Cost of Sales	(18,940)	(36,299)	(48)
Gross Profit	2,994	3,955	(24)
<u>Other Items of Income</u>			
Interest Income	59	50	18
Other Credits	16	131	(88)
<u>Other Items of Expense</u>			
Marketing and Distribution Costs	(289)	(367)	(21)
Administrative Expenses	(2,016)	(1,766)	14
Finance Costs	(1)	-	NM
Other Charges	(28)	-	NM
Profit Before Tax from Continuing Operations	735	2,003	(63)
Income Tax Expense	(111)	(352)	(68)
Profit Net of Tax	624	1,651	(62)
Profit Attributable to Owners of the Parent, Net of Tax	596	1,645	(64)
Profit Attributable to Non-Controlling Interests, Net of Tax	28	6	NM
	624	1,651	(62)
Earnings Per Share			
Basic (Cents)	0.17	0.48	
Diluted (Cents)	0.17	0.48	

Profit before tax is arrived at after crediting (charging) the following:

	Group		
	1Q ended 31/03/2014 S\$'000	1Q ended 31/03/2013 S\$'000	% + / (-)
Gain on disposal of plant and equipment	16	-	NM
Foreign exchange adjustment (loss)/gain	(28)	131	NM
Depreciation expenses	(100)	(105)	(5)

NM : Not meaningful

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- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

Consolidated Statement of Comprehensive Income

	Group		
	1Q ended 31/03/2014 S\$'000	1Q ended 31/03/2013 S\$'000	% + / (-)
Profit Net of Tax	624	1,651	(62)
Other Comprehensive Income	-	-	
Total Comprehensive Income for the Period	624	1,651	(62)
Total Comprehensive Income Attributable to Owners of the Parent	596	1,645	(64)
Total Comprehensive Income Attributable to Non-Controlling Interests	28	6	NM
Total Comprehensive Income	624	1,651	(62)

NM : Not meaningful

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position

	Group		Company	
	As at 31/03/2014 S\$'000	As at 31/12/2013 S\$'000	As at 31/03/2014 S\$'000	As at 31/12/2013 S\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	6,184	6,101	-	-
Investment Property	560	565	-	-
Investments in Subsidiaries	-	-	43,530	43,530
Other Assets	100	100	-	-
Total Non-Current Assets	6,844	6,766	43,530	43,530
<u>Current Assets</u>				
Inventories	41,096	46,990	-	-
Trade and Other Receivables	17,121	19,138	19,274	19,151
Other Financial Assets	12	12	-	-
Cash and Cash Equivalents	57,064	47,702	2,367	2,357
Total Current Assets	115,293	113,842	21,641	21,508
Total Assets	122,137	120,608	65,171	65,038
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	58,856	58,856	58,856	58,856
Retained Earnings	50,876	50,280	6,019	5,961
Other Reserves	575	575	-	-
Equity, Attributable to Owners of the Parent	110,307	109,711	64,875	64,817
Non-Controlling Interests	6,287	6,339	-	-
Total Equity	116,594	116,050	64,875	64,817
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	643	643	-	-
Total Non-Current Liabilities	643	643	-	-
<u>Current Liabilities</u>				
Income Tax Payable	864	734	7	9
Trade and Other Payables	4,036	3,181	289	212
Total Current Liabilities	4,900	3,915	296	221
Total Liabilities	5,543	4,558	296	221
Total Equity and Liabilities	122,137	120,608	65,171	65,038

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/03/2014 S\$'000		As at 31/12/2013 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31/03/2014 S\$'000		As at 31/12/2013 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Cash Flows

	Group	
	1Q ended 31/03/2014 S\$'000	1Q ended 31/03/2013 S\$'000
<u>Cash Flows from Operating Activities</u>		
Profit Before Tax	735	2,003
Adjustments for:		
Depreciation of Investment Property	5	5
Depreciation of Property, Plant and Equipment	95	100
Interest Income	(59)	(50)
Interest Expense	1	-
Gain on Disposal of Plant and Equipment	(16)	-
Operating Cash Flows Before Changes in Working Capital	761	2,058
Inventories	5,894	18,303
Trade and Other Receivables	2,017	(6,257)
Trade and Other Payables	855	(5,323)
Net Cash Flows From Operations Before Interest and Tax	9,527	8,781
Income Taxes Refund/(Paid)	19	(2)
Net Cash Flows From Operating Activities	9,546	8,779
<u>Cash Flows from Investing Activities</u>		
Disposal of Plant and Equipment	16	-
Purchase of Plant and Equipment	(178)	-
Interest Received	59	50
Net Cash Flows (Used in)/From Investing Activities	(103)	50
<u>Cash Flows from Financing Activities</u>		
Dividends Paid to Non-Controlling Interests	(80)	-
Interest Paid	(1)	-
Net Cash Flows Used in Financing Activities	(81)	-
Net Increase in Cash and Cash Equivalents	9,362	8,829
Cash and Cash Equivalents, Beginning Balance	47,702	40,197
Cash and Cash Equivalents, Ending Balance	57,064	49,026

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statements of Changes in Equity

Group (S\$'000)	Attributable to					Non-Controlling Interests
	Total Equity	Parent Sub-Total	Share Capital	Other Reserves	Retained Earnings	
Opening Balance at 1 January 2014	116,050	109,711	58,856	575	50,280	6,339
Total Comprehensive Income for the Period ended 31 March 2014	624	596	-	-	596	28
Dividends paid	(80)	-	-	-	-	(80)
Closing Balance at 31 March 2014	116,594	110,307	58,856	575	50,876	6,287
	(a)					
Opening Balance at 1 January 2013	115,736	109,402	58,856	575	49,971	6,334
Total Comprehensive Income for the Period ended 31 March 2013	1,651	1,645	-	-	1,645	6
Closing Balance at 31 March 2013	117,387	111,047	58,856	575	51,616	6,340
	(a)					

(a) Unrealised and not available for distribution as cash dividends.

Company (S\$'000)	Total Equity	Share Capital	Retained Earnings
Opening Balance at 1 January 2014	64,817	58,856	5,961
Total Comprehensive Income for the Period ended 31 March 2014	58	-	58
Closing Balance at 31 March 2014	64,875	58,856	6,019
Opening Balance at 1 January 2013	66,803	58,856	7,947
Total Comprehensive Loss for the Period ended 31 March 2013	(36)	-	(36)
Closing Balance at 31 March 2013	66,767	58,856	7,911

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There are no changes in the share capital since the end of the previous period reported on.

The Company has no outstanding convertibles and treasury shares at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

The total number of issued shares excluding treasury shares

As at 31 March 2014	341,917,487
As at 31 December 2013	341,917,487

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

The Company has no treasury shares as at 31 March 2014.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice

The figures have neither been audited nor reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with the audited financial statements for the year ended 31 December 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Please refer to Item 4 above.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	1Q ended 31/03/2014	1Q ended 31/03/2013
Earnings per ordinary share for the period based on net profit attributable to shareholders		
(a) Based on 341,917,487 ordinary shares	0.17 cents	0.48 cents
(b) On a fully diluted basis	0.17 cents	0.48 cents

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- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	As at 31/03/2014	As at 31/12/2013	As at 31/03/2014	As at 31/12/2013
Net asset value per ordinary share (cents) *	32.26	32.09	18.97	18.96

* Based on share capital of 341,917,487 ordinary shares for both period and year.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of the Steel Industry

World crude steel production in the first three months of 2014 increased by 2.5% to around 405 million tonnes (Mt). Most of the world's steel producing regions registered higher production of crude steel compared to the same period last year. Asia produced 274 Mt of crude steel in the first quarter of 2014, an increase of 2.6% over the first quarter of 2013, driven by higher output from China, India, Japan, South Korea and Taiwan. China accounted for around 50% of world crude steel production. (Source: World Steel Association)

The MEPS Global Composite Steel Price softened in February 2014 as end-user demand was lackluster in certain regions such as China and Western Europe. Despite already high inventories, steel mills in China continued to boost output in February while traders offered price discounts to generate cash flow. (Source: MEPS, "MEPS Global Composite Steel Price Slips in February", 28 February 2014")

Review of Statement of Comprehensive Income

The Group continued to face challenging conditions in the first quarter ended 31 March 2014 ("1Q14") as business volume remained modest since the third quarter of FY2013. The operating environment remained highly competitive due to muted end-user demand, combined with ample inventory in the steel supply chain. While the Group improved its gross profit margin significantly, this was insufficient to offset the effect of lower revenue in 1Q14. As such, Group net profit declined in 1Q14 compared to 1Q13.

Nevertheless, the Group maintained a strong financial position at the end of March 2014, with cash and cash equivalents of S\$57.1 million and zero borrowings. Net asset value per share stood at 32.26 cents.

Revenue

Revenue (\$\$ m)	1Q	2Q	3Q	4Q	Full Year
FY2014	21.9	-	-	-	-
FY2013	40.3	32.2	19.7	23.0	115.1
y-o-y change	(46%)	-	-	-	-

Group revenue in 1Q14 decreased 46% year-on-year to S\$21.9 million as a result of lower sales volume. This was attributed primarily to a significant decline in sales to customers from the marine and offshore sector. Demand from shipyards has reduced since the latter half of 2013 as a result of slower newbuilding activities. On the other hand, sales to the engineering/fabrication customers improved in 1Q14, while sales derived from the construction segment remained steady compared to 1Q13.

Gross Profit and Gross Profit Margin

		1Q	2Q	3Q	4Q	Full Year
Gross Profit (\$\$ m)	FY2014	3.0	-	-	-	-
	FY2013	4.0	3.6	2.3	2.5	12.4
Gross Profit Margin	FY2014	13.7%	-	-	-	-
	FY2013	9.8%	11.2%	11.9%	11.1%	10.8%

Gross profit in 1Q14 decreased at a slower pace than revenue to S\$3.0 million, down 24% from S\$4.0 million in 1Q13. This was supported by an increase in gross profit margin to 13.7% in 1Q14, driven mainly by higher average selling prices.

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8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (cont'd)

The Group's gross profit margin typically fluctuates across the quarters during a financial year. Underlying factors include differences in selling prices due to seasonal factors and market conditions, sales mix, and changes in its weighted average cost of inventory sold as the Group sells and replaces its inventory across different periods.

Other Items of Income

In 1Q14, the Group recorded other income of S\$75,000 which comprised interest income and a gain on disposal of plant and equipment. Other income was lower than S\$181,000 in 1Q13 as the Group recorded a small foreign exchange loss in 1Q14 as opposed to a foreign exchange gain in 1Q13.

Marketing and Distribution Costs and Administrative Expenses

Marketing and distribution costs in 1Q14 decreased 21% to S\$289,000 from S\$367,000 previously in tandem with the lower level of freight and handling services that were required for customers' orders. Administrative expenses increased 14% to S\$2.0 million from S\$1.8 million due mainly to higher manpower costs, land rental and property tax.

Finance Costs and other charges

The Group had minimal finance cost of S\$1,000 in 1Q14. This cost arose from the utilisation of trust receipts to finance purchase of inventories as part of the ordinary course of the Group's business.

Other charges in 1Q14 amounted to S\$28,000 due to a foreign exchange loss. In comparison, the Group did not incur other charges in 1Q13 as it recorded a foreign exchange gain.

Net Profit and Net Profit Margin

		1Q	2Q	3Q	4Q	Full Year
Net Profit (S\$ m)	FY2014	0.6	-	-	-	-
	FY2013	1.7	1.3	0.4	0.4	3.7
	y-o-y change	(62%)	-	-	-	-
Net Profit Margin	FY2014	2.8%	-	-	-	-
	FY2013	4.1%	4.1%	1.8%	1.8%	3.2%

The Group posted a net profit of S\$0.6 million in 1Q14, down 62% from S\$1.7 million in 1Q13, due primarily to the steep decline in revenue.

Review of Financial Position

Statement of Financial Position as at 31 March 2014

As at 31 March 2014, shareholders' equity improved to S\$110.3 million from S\$109.7 million as at 31 December 2013. Correspondingly, net asset value was 32.26 cents per share.

At the end of March 2014, the Group had cash and cash equivalents of S\$57.1 million and zero borrowings.

Trade and other receivables at the end of March 2014 amounted to S\$17.1 million, down slightly from S\$19.1 million at the end of December 2013 in line with lower sales. Debtor turnover (annualised) in 1Q14 was 71 days compared to 61 days for FY2013.

Inventories (measured on a weighted average cost basis) as at 31 March 2014 decreased to S\$41.1 million compared to S\$47.0 million as at 31 December 2013, as the Group aligned its stock of steel products to current market conditions.

Trade and other payables as at 31 March 2014 increased slightly to S\$4.0 from S\$3.2 million as at 31 December 2013 due to higher local credit purchases and advance from customers.

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- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (cont'd)

Statement of Cash Flows

The Group generated net cash from operating activities of S\$9.5 million during 1Q14. This arose from earnings before interest, tax and depreciation of S\$0.8 million, a reduction in inventory and trade and other receivables totalling S\$7.9 and an increase in trade and other payables of S\$0.9 million.

Net cash used in investing activities amounted to S\$103,000, due mainly to purchase of plant and equipment. This was partially offset by interest income and proceeds from disposal of plant and equipment. Net cash used in financing activities totalled S\$81,000, due mainly to the payment of dividends to non-controlling interests. As a result of the above changes, the Group's cash and cash equivalents increased by S\$9.4 million to S\$57.1 million as at 31 March 2014 from S\$47.7 million as at 31 December 2013.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Industry Outlook

The World Steel Association (worldsteel) released its short range outlook for 2014 and 2015 on 9 April 2014. worldsteel forecasts that global apparent steel use in 2014 will increase by 3.1% to 1527 Mt, which is slightly slower than the growth of 3.6% seen in 2013. While apparent steel use in the United States and Europe are expected to move into positive growth in 2014, the structural issues and financial market volatility of many emerging economies, as well as China's deceleration, led to a lower growth forecast for 2014. The growth of apparent steel use in China is expected to slow to 3.0% in 2014, compared to 6.1% in 2013. (Source: worldsteel Short Range Outlook, published 9 April 2014)

Group Outlook

The slowdown in orders since the latter half of FY2013 persisted into the first quarter of FY2014. The Group expects business conditions to remain challenging in the second quarter of FY2014 as demand from its primary markets is unlikely to show a major rebound within a short timeframe. Competition within the steel distribution industry shall remain intense as demand remains low vis-à-vis the level of inventory in the supply chain. The Group will continue to align its inventory mix to the project requirements of its marine and offshore customers, as well as pursue business from other sectors such as engineering/fabrication, to maintain a diversified customer base.

International steel prices have experienced minor fluctuations since the end of 2013 as the modest global demand situation inhibits attempts by steel mills to raise prices. With its focus on profitability, the Group will continue to manage its inventory purchases prudently. It will also keep a close watch on operating expenses to maintain a sound financial position so that the Group is able to withstand challenges and be ready for growth opportunities when they arise.

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11 Dividends

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Book closure date

Not applicable

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the period ended.

13 Interested Person Transactions ("IPT")

If the Group has obtained a general mandate from shareholders for IPT, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Aggregate value of all IPT during the financial year under review (excluding transactions less than S\$100,000)

	1Q ended 31/03/2014 S\$'000	1Q ended 31/03/2013 S\$'000
Penta Transport Services	135	183

The value of IPT of the Group is well below 3% of the Group's latest audited net tangible assets as at 31 December 2013.

The Company has no IPT general mandate.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
5 May 2014

ASIA ENTERPRISES HOLDING LIMITED

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Confirmation by the Board

We, Lee Choon Bok and Lee Yih Chyi being two directors of Asia Enterprises Holding Limited ("the Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing material has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 31 March 2014 to be false or misleading.

On behalf of the Board of Directors

LEE CHOON BOK
EXECUTIVE CHAIRMAN

LEE YIH CHYI
MANAGING DIRECTOR