

ASIA ENTERPRISES HOLDING LIMITED

(Company Registration No. 200501021H)

Unaudited First Half Financial Statement for the Period ended 30 June 2015

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					
	2Q FY2015 S\$'000	2Q FY2014 S\$'000	% + / (-)	1H FY2015 S\$'000	1H FY2014 S\$'000	% + / (-)
Revenue	7,884	21,650	(64)	17,777	43,584	(59)
Cost of Sales	(6,858)	(18,859)	(64)	(15,371)	(37,799)	(59)
Gross Profit	1,026	2,791	(63)	2,406	5,785	(58)
<u>Other Items of Income</u>						
Interest Income	135	70	93	259	129	101
Other Gains	161	242	(33)	252	258	(2)
<u>Other Items of Expense</u>						
Marketing and Distribution Costs	(76)	(310)	(75)	(217)	(599)	(64)
Administrative Expenses	(1,461)	(1,770)	(17)	(3,353)	(3,786)	(11)
Finance Costs	-	-	-	(1)	(1)	-
Other Losses	(242)	(145)	67	(342)	(173)	98
(Loss)/Profit Before Tax from Continuing Operations	(457)	878	NM	(996)	1,613	NM
Income Tax Expense	(5)	(148)	(97)	(23)	(259)	(91)
(Loss)/Profit Net of Tax	(462)	730	NM	(1,019)	1,354	NM
(Loss)/Profit Attributable to Owners of the Parent, Net of Tax	(470)	699	NM	(1,063)	1,295	NM
Profit Attributable to Non-Controlling Interests, Net of Tax	8	31	(74)	44	59	(25)
	(462)	730	NM	(1,019)	1,354	NM
(Loss)/Earnings Per Share						
Basic (Cents)	(0.14)	0.20		(0.31)	0.38	
Diluted (Cents)	(0.14)	0.20		(0.31)	0.38	

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

	Group					
	2Q FY2015 S\$'000	2Q FY2014 S\$'000	% + / (-)	1H FY2015 S\$'000	1H FY2014 S\$'000	% + / (-)
Gain on disposal of plant and equipment	9	-	NM	25	16	56
Foreign exchange adjustment loss	(3)	(145)	(98)	(103)	(173)	(40)
Write-back of doubtful debts and bad debts	152	242	(37)	227	242	(6)
Written-off of doubtful debts and bad debts	(239)	-	NM	(239)	-	NM
Depreciation expenses	(111)	(105)	6	(227)	(205)	11

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					
	2Q FY2015 S\$'000	2Q FY2014 S\$'000	% + / (-)	1H FY2015 S\$'000	1H FY2014 S\$'000	% + / (-)
(Loss)/Profit Net of Tax	(462)	730	NM	(1,019)	1,354	NM
Other Comprehensive Income	-	-		-	-	
Total Comprehensive (Loss)/Income for the Period	(462)	730		(1,019)	1,354	NM
Total Comprehensive (Loss)/Income Attributable to Owners of the Parent	(470)	699	NM	(1,063)	1,295	NM
Total Comprehensive Income Attributable to Non-Controlling Interests	8	31	(74)	44	59	(25)
Total Comprehensive (Loss)/Income	(462)	730	NM	(1,019)	1,354	NM

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 30/06/2015 S\$'000	As at 31/12/2014 S\$'000	As at 30/06/2015 S\$'000	As at 31/12/2014 S\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	6,247	6,186	-	-
Investment Property	536	545	-	-
Investments in Subsidiaries	-	-	43,530	43,530
Other Assets	100	100	-	-
Total Non-Current Assets	6,883	6,831	43,530	43,530
<u>Current Assets</u>				
Inventories	32,762	38,850	-	-
Trade and Other Receivables	6,802	7,421	16,821	21,909
Other Financial Assets	1,026	1,033	-	-
Cash and Cash Equivalents	64,967	66,958	2,583	2,172
Total Current Assets	105,557	114,262	19,404	24,081
Total Assets	112,440	121,093	62,934	67,611
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	58,856	58,856	58,856	58,856
Retained Earnings	44,289	50,481	3,962	8,521
Capital Reserve	575	575	-	-
Equity, Attributable to Owners of the Parent	103,720	109,912	62,818	67,377
Non-Controlling Interests	5,977	6,333	-	-
Total Equity	109,697	116,245	62,818	67,377
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	688	688	-	-
Total Non-Current Liabilities	688	688	-	-
<u>Current Liabilities</u>				
Income Tax Payable	141	324	5	10
Trade and Other Payables	1,914	2,868	111	224
Other Financial Liabilities	-	968	-	-
Total Current Liabilities	2,055	4,160	116	234
Total Liabilities	2,743	4,848	116	234
Total Equity and Liabilities	112,440	121,093	62,934	67,611

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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 30/06/2015 S\$'000		As at 31/12/2014 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	690

Amount repayable after one year

As at 30/06/2015 S\$'000		As at 31/12/2014 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The unsecured portion consists of trust receipts of the Group arising from the ordinary course of business.

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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			
	2Q FY2015 S\$'000	2Q FY2014 S\$'000	1H FY2015 S\$'000	1H FY2014 S\$'000
<u>Cash Flows from Operating Activities</u>				
(Loss)/Profit Before Tax	(457)	878	(996)	1,613
Adjustments for:				
Depreciation of Investment Property	5	5	9	10
Depreciation of Property, Plant and Equipment	106	100	218	195
Interest Income	(135)	(70)	(259)	(129)
Interest Expense	-	-	1	1
Gain on Disposal of Plant and Equipment	(9)	-	(25)	(16)
Operating Cash Flows Before Changes in Working Capital	(490)	913	(1,052)	1,674
Inventories	2,953	3,773	6,088	9,667
Trade and Other Receivables	1,715	1,555	619	3,572
Trade and Other Payables	257	(1,311)	(954)	(456)
Net Cash Flows From Operations Before Interest and Tax	4,435	4,930	4,701	14,457
Income Taxes Paid	(127)	(221)	(206)	(202)
Net Cash Flows From Operating Activities	4,308	4,709	4,495	14,255
<u>Cash Flows from Investing Activities</u>				
Purchase of Financial Assets	7	(1,028)	7	(1,028)
Disposal of Plant and Equipment	10	-	40	16
Purchase of Plant and Equipment	(181)	(57)	(294)	(235)
Interest Received	135	70	259	129
Net Cash Flows (Used in)/From Investing Activities	(29)	(1,015)	12	(1,118)
<u>Cash Flows from Financing Activities</u>				
Dividends Paid to Equity Owners	(5,129)	(1,709)	(5,129)	(1,709)
Dividends Paid by A Subsidiary to Non-Controlling Interests	(400)	-	(400)	(80)
Other Financial Liabilities	(278)	-	(968)	-
Interest Paid	-	-	(1)	(1)
Net Cash Flows Used in Financing Activities	(5,807)	(1,709)	(6,498)	(1,790)
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,528)	1,985	(1,991)	11,347
Cash and Cash Equivalents, Beginning Balance	66,495	57,064	66,958	47,702
Cash and Cash Equivalents, Ending Balance	64,967	59,049	64,967	59,049

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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

	Attributable to					Non-Controlling Interests
	Total Equity	Parent Sub-Total	Share Capital	Capital Reserve	Retained Earnings	
Group (S\$'000)						
Opening Balance at 1 January 2015	116,245	109,912	58,856	575	50,481	6,333
Total Comprehensive (Loss)/Income for the Period ended 30 June 2015	(1,019)	(1,063)	-	-	(1,063)	44
Dividends paid	(5,529)	(5,129)	-	-	(5,129)	(400)
Closing Balance at 30 June 2015	109,697	103,720	58,856	575	44,289	5,977
	(a)					
Opening Balance at 1 January 2014	116,050	109,711	58,856	575	50,280	6,339
Total Comprehensive Income for the Period ended 30 June 2014	1,354	1,295	-	-	1,295	59
Dividends paid	(1,789)	(1,709)	-	-	(1,709)	(80)
Closing Balance at 30 June 2014	115,615	109,297	58,856	575	49,866	6,318
	(a)					

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

	Total Equity	Share Capital	Retained Earnings
Company (S\$'000)			
Opening Balance at 1 January 2015	67,377	58,856	8,521
Total Comprehensive Income for the Period ended 30 June 2015	570	-	570
Dividends paid	(5,129)	-	(5,129)
Closing Balance at 30 June 2015	62,818	58,856	3,962
Opening Balance at 1 January 2014	64,817	58,856	5,961
Total Comprehensive Income for the Period ended 30 June 2014	39	-	39
Dividends paid	(1,709)	-	(1,709)
Closing Balance at 30 June 2014	63,147	58,856	4,291

- 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 30 June 2015	341,917,487
As at 31 December 2014	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 30 June 2015.

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 2014.

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			
	2Q FY2015	2Q FY2014	1H FY2015	1H FY2014
(Loss)/Earnings per ordinary share for the period based on net (loss)/profit attributable to shareholders				
(a) Based on 341,917,487 ordinary shares	(0.14) cents	0.20 cents	(0.31) cents	0.38 cents
(b) On a fully diluted basis	(0.14) cents	0.20 cents	(0.31) cents	0.38 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 30/06/2015	As at 31/12/2014	As at 30/06/2015	As at 31/12/2014
Net asset value per ordinary share (cents) *	30.33	32.15	18.37	19.71

* 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 reported on

Review of the Steel Industry

Based on the figures released by World Steel Association (worldsteel), global crude steel production in the first six months of 2015 decreased 2.0% year-on-year to 813.0 million tonnes (Mt). This was due to lower crude steel production in Asia, North America and C.I.S. regions. China, the world's largest steel producing country, saw a reduction in its steel output by 1.3% during the first half of 2015.

Since the middle of 2014, the MEPS Global Steel Price has fallen 24% over a 12-month period. This reflected the collapse in the cost of iron ore and an oversupply situation in the steel market. As demand in China shrinks after years of unprecedented expansion, excess supplies from the world's biggest producer are being exported across the world. In the first half of 2015, China's steel exports surged 28% and may top 105 Mt this year.

(Sources: World Steel Association; MEPS, "MEPS Global Steel Price has fallen 24 percent in the last twelve months", 1 July 2015, Bloomberg, "China's Steel Slowdown Spreads as Korea's Posco Gets Shake-Up", 15 July 2015)

Review of Statement of Comprehensive Income

Business conditions were difficult during the second quarter ended 30 June 2015 ("2Q15") as market demand for steel products continued to be depressed. The slump in oil prices which peaked in June 2014, coupled with the softness in the coal commodity markets, took a toll on the level of business activities and order flow for shipbuilding and offshore-related sectors. Consequently, the steel purchasing requirements from these end-user industries have also tapered.

Given the changes in the market environment, the Group has seen a slowdown in sales orders of steel products since the second half of 2014. Demand conditions remained sluggish in 2Q15 and led to a substantial decrease in the Group's revenue compared to the same period a year ago before the collapse in oil prices. While the Group maintained its gross profit margin in 2Q15, it posted a net loss of S\$0.5 million due to weaker sales volume.

Nevertheless, the Group has a robust financial position to overcome the prevailing industry headwinds. As at 30 June 2015, the Group had cash and cash equivalents of S\$65.0 million and zero borrowings. The Group had net asset value per share of 30.33 cents as at 30 June 2015. Cash and cash equivalents stood at 19.00 cents per share while the book value of its inventory of steel products translated to 9.58 cents per share.

Revenue

Revenue (S\$ m)	1Q	2Q	1H	3Q	4Q	Full Year
FY2015	9.9	7.9	17.8	-	-	-
FY2014	21.9	21.7	43.6	13.2	8.3	65.1
y-o-y change	(55%)	(64%)	(59%)	-	-	-

The Group posted revenue of S\$7.9 million in 2Q15, down 64% year-on-year from S\$21.7 million previously due mainly to a contraction in sales volume. Demand for steel products continued to be weak across the Group's key customer industries of marine and offshore, engineering/fabrication and construction. Sales to the marine and offshore segment decreased considerably in 2Q15 compared to 2Q14 due to a significant slowdown in newbuilding activities at shipyards.

The muted demand conditions experienced during 1Q15 and 2Q15 contributed to the 59% decrease in Group revenue to S\$17.8 million for the six months ended 30 June 2015 ("1H15") from S\$43.6 million in 1H14.

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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 reported on (cont'd)

Gross Profit and Gross Profit Margin

		1Q	2Q	1H	3Q	4Q	Full Year
Gross Profit (S\$ m)	FY2015	1.4	1.0	2.4	-	-	-
	FY2014	3.0	2.8	5.8	1.6	1.2	8.6
Gross Profit Margin	FY2015	13.9%	13.0%	13.5%	-	-	-
	FY2014	13.7%	12.9%	13.3%	11.9%	15.0%	13.2%

The Group's gross profit in 2Q15 decreased 63% year-on-year to S\$1.0 million in tandem with lower revenue. Notwithstanding the keen market competition, the Group maintained its gross profit margin at 13.0% compared to 12.9% in 2Q14.

For 1H15, the Group recorded gross profit of S\$2.4 million, down 58% from S\$5.8 million from 1H14 due to weaker revenue. However, gross profit margin improved slightly to 13.5% in 1H15 from 13.3% previously, attributed mainly to a shift in sales mix and the Group's prudent management of inventory.

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 2Q15, the Group recorded lower other gains due mainly to lesser write-back of doubtful debts and bad debts.

Marketing and Distribution Costs and Administrative Expenses

Marketing and distribution costs in 2Q15 fell to S\$76,000 from S\$0.3 million in 2Q14, in line with the lower level of freight and handling services that were required for customers' orders. Administrative expenses also decreased to S\$1.5 million from S\$1.8 million due mainly to lower staff expenses.

Finance Costs and Other Losses

The Group did not incur any finance costs in 2Q15 and 2Q14. Other losses in 2Q15 amounted to S\$0.2 million arising mainly from a write-off of doubtful debts and bad debts. Other losses of S\$0.1 million in 2Q14 were attributed to a foreign exchange adjustment loss.

Net Profit and Net Profit Margin

		1Q	2Q	1H	3Q	4Q	Full Year
Net Profit / Loss (S\$ m)	FY2015	(0.6)	(0.5)	(1.0)	-	-	-
	FY2014	0.6	0.7	1.4	0.2	0.4	2.0
	y-o-y change	n.m.	n.m.	n.m.			
Net Profit Margin	FY2015	n.m.	n.m.	n.m.			
	FY2014	2.8%	3.4 %	3.1%	1.9%	4.7%	3.0%

Consequent to the declines in revenue and gross profit, the Group posted a net loss of S\$0.5 million and S\$1.0 million for 2Q15 and 1H15 respectively. Although the Group continued to keep a tight rein on its operating overheads and expenses which narrowed by around 19% in 1H15, this was insufficient to offset the effect from the decrease in revenue.

Review of Financial Position

Statement of Financial Position as at 30 June 2015

As at 30 June 2015, the Group's shareholders' equity stood at S\$103.7 million, compared to S\$109.9 million as at 31 December 2014. This translated to net asset value of 30.33 cents per share at the end of June 2015. The Group closed the quarter under review with cash and cash equivalents of S\$65.0 million and zero borrowings.

Trade and other receivables at the end of June 2015 decreased to S\$6.8 million from S\$7.4 million at the end of December 2014 due to lower sales in 2Q15.

Inventories (measured on a weighted average cost basis) as at 30 June 2015 decreased to S\$32.8 million from S\$38.9 million as at 31 December 2014, as the Group continued to align its stock of steel products to prevailing market conditions.

Trade and other payables decreased to S\$1.9 million from S\$2.9 million as at 31 December 2014, due mainly to lower purchases. Other financial liabilities as at 30 June 2015 were nil compared to S\$1.0 million as at 31 December 2014 due mainly to trust receipts.

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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

Net cash generated from operating activities during 2Q15 was S\$4.3 million, attributable mainly to decreases in inventory and trade receivables. Net cash used in investing activities amounted to S\$29,000, attributed mainly to purchases of plant and equipment. The Group used net cash of S\$5.8 million for financing activities, mainly for the payment of dividends to shareholders of the Company with respect to FY2014, and dividends paid to non-controlling interests. As a result, the Group's cash and cash equivalents decreased by S\$1.5 million to S\$65.0 million at the end of June 2015.

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

The results are in line with the Company's profit guidance announced on 28 July 2015.

- 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.**

Group Outlook

The operating environment in the past 12 months has been challenging due to the deterioration of market demand for steel and excess steel production capacities worldwide. The volume of steel purchases by end-users has contracted in tandem with the slower pace of their business activities.

The Group expects business conditions to remain volatile and challenging until there is a firm recovery in end-users' business activities. Competition within the steel distribution industry is also expected to remain intense as a result of supply-demand imbalances in the steel market. In addition, fluctuations in the exchange rate of the US dollar against the Singapore dollar could also affect the cost of replenishing inventory.

Amid expectations of a difficult operating environment in the remaining months of the current financial year, the Group is not optimistic of returning to profitability in the second half of FY2015.

With its sound financial standing, the Group believes it has the ability to ride out the current business slowdown, and is well-positioned to capitalise on opportunities when the major steel consumption industries such as shipyards, start to experience a recovery momentum in business activities.

The Group will continue to prudently manage its inventory purchases while ensuring its stock level and inventory mix are aligned to customers' project requirements. Besides keeping a close watch on its operating expenses, the Group will also continue to sustain its market competitiveness by focusing on prompt services and maintaining an optimal mix of products that address customers' needs.

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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)

	1H FY2015 S\$'000	1H FY2014 S\$'000
Penta Transport Services	<u>137</u>	<u>241</u>

The value of IPT of the Group is well below 3% of the Group's latest audited net tangible assets as at 31 December 2014.

The Company has no IPT general mandate.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
4 Aug 2015

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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 half ended 30 June 2015 to be false or misleading.

On behalf of the Board of Directors

LEE CHOON BOK
EXECUTIVE CHAIRMAN

LEE YIH CHYI
MANAGING DIRECTOR