

ASIA ENTERPRISES HOLDING LIMITED

(Company Registration No. 200501021H)

Unaudited First Quarter Financial Statement for the Period ended 31 March 2016

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 31/03/2016 S\$'000	1Q ended 31/03/2015 S\$'000	% + / (-)
Revenue	9,680	9,893	(2)
Cost of Sales	(7,202)	(8,513)	(15)
Gross Profit	2,478	1,380	80
<u>Other Items of Income</u>			
Interest Income	211	124	70
Other Gains	15	91	(84)
<u>Other Items of Expense</u>			
Marketing and Distribution Costs	(117)	(141)	(17)
Administrative Expenses	(1,712)	(1,892)	(10)
Finance Costs	-	(1)	NM
Other Losses	(108)	(100)	8
Profit/(Loss) Before Tax from Continuing Operations	767	(539)	NM
Income Tax Expense	-	(18)	NM
Profit/(Loss) Net of Tax	767	(557)	NM
Profit/(Loss) Attributable to Owners of the Parent, Net of Tax	746	(593)	NM
Profit Attributable to Non-Controlling Interests, Net of Tax	21	36	(42)
	767	(557)	NM
Earnings/(Loss) Per Share			
Basic (Cents)	0.22	(0.17)	
Diluted (Cents)	0.22	(0.17)	

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

	Group		
	1Q ended 31/03/2016 S\$'000	1Q ended 31/03/2015 S\$'000	% + / (-)
Gain on disposal of plant and equipment	-	16	NM
Foreign exchange adjustment loss	(108)	(100)	8
Write-back of doubtful debts and bad debts	15	75	(80)
Depreciation expenses	(111)	(116)	(4)

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 31/03/2016 S\$'000	1Q ended 31/03/2015 S\$'000	% + / (-)
Profit/(Loss) Net of Tax	767	(557)	NM
Other Comprehensive Income	-	-	
Total Comprehensive Income/(Loss) for the Period	767	(557)	NM
Total Comprehensive Income/(Loss) Attributable to Owners of the Parent	746	(593)	NM
Total Comprehensive Income Attributable to Non-Controlling Interests	21	36	(42)
Total Comprehensive Income/(Loss)	767	(557)	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 31/03/2016 S\$'000	As at 31/12/2015 S\$'000	As at 31/03/2016 S\$'000	As at 31/12/2015 S\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	9,244	8,004	-	-
Investment Property	521	526	-	-
Investments in Subsidiaries	-	-	43,530	43,530
Other Assets	100	100	-	-
Total Non-Current Assets	9,865	8,630	43,530	43,530
<u>Current Assets</u>				
Inventories	14,111	16,981	-	-
Trade and Other Receivables	9,345	6,458	18,249	18,000
Other Financial Assets	1,019	1,019	-	-
Cash and Cash Equivalents	67,923	68,372	2,679	2,662
Total Current Assets	92,398	92,830	20,928	20,662
Total Assets	102,263	101,460	64,458	64,192
EQUITY AND LIABILITIES				
<u>Equity Attributable to Owners of the Parent</u>				
Share Capital	58,856	58,856	58,856	58,856
Retained Earnings	34,018	33,272	5,313	5,100
Capital Reserve	575	575	-	-
Equity, Attributable to Owners of the Parent	93,449	92,703	64,169	63,956
Non-Controlling Interests	5,740	5,879	-	-
Total Equity	99,189	98,582	64,169	63,956
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	688	688	-	-
Total Non-Current Liabilities	688	688	-	-
<u>Current Liabilities</u>				
Income Tax Payable	10	12	10	12
Trade and Other Payables	2,376	2,178	279	224
Other Financial Liabilities	-	-	-	-
Total Current Liabilities	2,386	2,190	289	236
Total Liabilities	3,074	2,878	289	236
Total Equity and Liabilities	102,263	101,460	64,458	64,192

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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 31/03/2016 S\$'000		As at 31/12/2015 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31/03/2016 S\$'000		As at 31/12/2015 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 31/03/2016 S\$'000	1Q ended 31/03/2015 S\$'000
<u>Cash Flows from Operating Activities</u>		
Profit/(Loss) Before Tax	767	(539)
Adjustments for:		
Depreciation of Investment Property	5	4
Depreciation of Property, Plant and Equipment	106	112
Interest Income	(211)	(124)
Interest Expense	-	1
Gain on Disposal of Plant and Equipment	-	(16)
Operating Cash Flows Before Changes in Working Capital	667	(562)
Inventories	2,870	3,135
Trade and Other Receivables	(2,887)	(1,096)
Trade and Other Payables	38	(1,211)
Net Cash Flows From Operations Before Interest and Tax	688	266
Income Taxes Paid	(2)	(79)
Net Cash Flows From Operating Activities	686	187
<u>Cash Flows from Investing Activities</u>		
Disposal of Plant and Equipment	-	30
Purchase of Plant and Equipment	(1,346)	(113)
Interest Received	211	124
Net Cash Flows (Used in)/From Investing Activities	(1,135)	41
<u>Cash Flows from Financing Activities</u>		
Other Financial Liabilities	-	(690)
Interest Paid	-	(1)
Net Cash Flows Used in Financing Activities	-	(691)
Net Decrease in Cash and Cash Equivalents	(449)	(463)
Cash and Cash Equivalents, Beginning Balance	68,372	66,958
Cash and Cash Equivalents, Ending Balance	67,923	66,495

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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 2016	98,582	92,703	58,856	575	33,272	5,879
Total Comprehensive Income for the Period ended 31 March 2016	767	746	-	-	746	21
Dividends payable	(160)	-	-	-	-	(160)
Closing Balance at 31 March 2016	99,189	93,449	58,856	575	34,018	5,740
	(a)					
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 31 March 2015	(557)	(593)	-	-	(593)	36
Dividends payable	(400)	-	-	-	-	(400)
Closing Balance at 31 March 2015	115,288	109,319	58,856	575	49,888	5,969
	(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 2016	63,956	58,856	5,100
Total Comprehensive Income for the Period ended 31 March 2016	213	-	213
Closing Balance at 31 March 2016	64,169	58,856	5,313
Opening Balance at 1 January 2015	67,377	58,856	8,521
Total Comprehensive Income for the Period ended 31 March 2015	566	-	566
Closing Balance at 31 March 2015	67,943	58,856	9,087

- 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 2016	341,917,487
As at 31 December 2015	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 2016.

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 2015.

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 31/03/2016	1Q ended 31/03/2015
Earnings/(Loss) per ordinary share for the period based on net profit/(loss) attributable to shareholders		
(a) Based on 341,917,487 ordinary shares	0.22 cents	(0.17) cents
(b) On a fully diluted basis	0.22 cents	(0.17) 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 31/03/2016	As at 31/12/2015	As at 31/03/2016	As at 31/12/2015
Net asset value per ordinary share (cents) *	27.33	27.11	18.77	18.71

* 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 period reported on

Review of the Steel Industry

Based on the figures released by World Steel Association (worldsteel), global crude steel production in the first 3 months of 2016 decreased 3.6% to 385.7 million tonnes (Mt), compared to the first quarter of 2015. The decline was due mainly to lower production in the main steel producing regions of Asia, the EU and North America.

Steel production in China, the world's largest producer with half of global output, fell 3.2% to 192.0 Mt in the 3-month period. However, rallying steel prices in China since the start of the year saw the country's steel production increasing 2.9% year-on-year to 70.7 Mt in March 2016.

According to MEPS, world steel prices continued to advance in the first three months of 2016 after slipping to their lowest level in more than a decade at the end of last year. MEPS said it believes the rise in global transaction values is mainly supply-driven, either through mills closing or scaling back production, as opposed to indicating a significant uptick in demand.

(Sources: World Steel Association; MEPS, "MEPS Reports A Modest Revival In Global Steel Prices In March" published on 30 March 2016)

Review of Statement of Comprehensive Income

For the quarter ended 31 March 2016 ("1Q16"), the Group continued to witness slow market demand for steel products. While the Group registered higher volume of sales in 1Q16 compared to 1Q15 and 4Q15, the purchases were driven more by the restocking activities of customers for their immediate requirements rather than a firm recovery in end-users' business activities.

International steel prices have improved since the start of 2016 after the continual decline seen during the second half of 2015. However, steel prices in 1Q16 remained below the levels seen in 1Q15. As a result of lower average selling prices, the Group's revenue in 1Q16 was slightly below 1Q15 level despite higher sales volume.

Thanks to higher gross profit and lower operating expenses, the Group posted a turnaround in net profit to S\$0.8 million in 1Q16 from a loss in 1Q15. At the end of March 2016, the Group maintained a sound financial position with cash and cash equivalents of S\$67.9 million and zero borrowings. The Group's net asset value per share of 27.33 cents as at 31 March 2016 includes cash and cash equivalents of 19.86 cents per share and inventory of steel products with book value of 4.13 cents per share.

Revenue

Revenue (S\$ m)	1Q	2Q	3Q	4Q	Full Year
FY2016	9.7	-	-	-	-
FY2015	9.9	7.9	7.5	7.0	32.3
y-o-y change	(2%)	-	-	-	-

Group revenue in 1Q16 eased 2% year-on-year to S\$9.7 million compared to S\$9.9 million in 1Q15. Although the Group registered higher overall sales volume in 1Q16, this was counterbalanced by lower average selling prices (ASP) as international steel prices during 1Q16 were below the levels seen in 1Q15.

Sales to the marine and offshore sector in 1Q16 remained relatively stable compared to 1Q15 as higher sales volume offset the effect of lower ASP. Higher sales to customers in the construction sector also helped to buffer the decrease in sales to the engineering/fabrication segment in 1Q16.

On a sequential basis, Group revenue in 1Q16 improved 38% from S\$7.0 million in 4Q15, lifted mainly by higher orders from customers in the marine and offshore and construction sectors.

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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)

Gross Profit and Gross Profit Margin

		1Q	2Q	3Q	4Q	Full Year
Gross Profit (S\$ m)	FY2016	2.5	-	-	-	-
	FY2015	1.4	1.0	0.7	0.5	3.7
Gross Profit Margin	FY2016	25.6%				
	FY2015	13.9%	13.0%	9.5%	7.8%	11.4%

The Group's gross profit in 1Q16 increased 80% to S\$2.5 million compared to S\$1.4 million in 1Q15. This was due mainly to lower weighted average cost of inventory sold following a write-down in the value of the Group's steel inventory in 4Q15. As a result, the Group's gross profit margin widened to 25.6% in 1Q16 compared to 13.9% in 1Q15.

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 1Q16, other income remained stable at S\$0.2 million which comprised primarily interest income.

Marketing and Distribution Costs and Administrative Expenses

Marketing and distribution costs in 1Q16 decreased 17% year-on-year to S\$0.1 million in line with the lower level of freight and handling services that were required for customers' orders. Administrative expenses also declined 10% to S\$1.7 million from S\$1.9 million in 1Q15 due mainly to lower manpower costs.

Finance Costs and Other Losses

The Group remained debt-free in 1Q16 and hence did not incur any finance costs during the quarter. Other losses in 1Q16 remained unchanged at S\$0.1 million which was mainly attributed to a foreign exchange translation loss.

Net Profit and Net Profit Margin

		1Q	2Q	3Q	4Q	Full Year
Net Profit / Loss (S\$ m)	FY2016	0.8	-	-	-	-
	FY2015	(0.6)	(0.5)	(0.7)	(10.4)	(12.1)
	y-o-y change	n.m.	-	-	-	-
Net Profit Margin	FY2016	7.9%				
	FY2015	n.m.	n.m.	n.m.	n.m.	n.m.

As a result of higher gross profit and lower operating expenses, the Group posted a net profit of S\$0.8 million in 1Q16, reversing the net loss of S\$0.6 million in 1Q15.

Review of Financial Position

Statement of Financial Position as at 31 March 2016

As at 31 March 2016, the Group's shareholders' equity stood at S\$93.4 million, which translated to net asset value of 27.33 cents per share.

The Group had cash and cash equivalents of S\$67.9 million and remained debt free as at 31 March 2016.

Trade and other receivables increased to S\$9.3 million from S\$6.5 million at the end of December 2015 in tandem with higher sales in 1Q16 compared to 4Q15.

Inventories (measured on a weighted average cost basis) as at 31 March 2016 decreased to S\$14.1 million from S\$17.0 million at the end of December 2015, as the Group continued to align its stock levels to prevailing market conditions.

Trade and other payables increased marginally to S\$2.4 million from S\$2.2 million as at 31 December 2015.

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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 1Q16 was S\$0.7 million. Net cash used in investing activities amounted to approximately S\$1.1 million which was mainly for the redevelopment of the Group's warehouse. The Group did not utilise any cash for financing activities in 1Q16. As a result of the above factors, the Group's cash and cash equivalents decreased S\$0.4 million during 1Q16 to S\$67.9 million.

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

There was no material variance from the commentary in Section 10 of the Group's previous financial statements released on 2 February 2016.

- 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

According to the World Steel Association (worldsteel) Short Range Outlook released on 13 April 2016, global steel demand is expected to decrease by 0.8% to 1,488 Mt in 2016, followed by a return to growth of 0.4% to 1,494 Mt in 2017. worldsteel expects the steel industry to remain challenging in 2016 due to China's slowdown, sluggish global trade and lower oil and commodity prices.

Although world steel prices have risen since the start of the year, MEPS believes that any prolonged recovery is unlikely unless global production overcapacity is addressed further. In an article dated 22 April 2016, Reuters reported that the steel price rally in China has already seen mills in the country ramping up output. It cited a survey which showed that 68 blast furnaces with an estimated 50 million tonnes of capacity have resumed production. This has resulted in the capacity utilisation rate among small Chinese mills rising to 58% in April from 51% in January while the large mills are running at utilisation of 87% compared to 84%.

Against this backdrop of supply-side uncertainties, steel price volatility, intense industry competition and modest end-user demand from its key customer segments, the Group expects the operating environment to remain challenging in FY2016.

The increase in international steel prices and fluctuations in the exchange rate of the US dollar against the Singapore dollar could affect the Group's cost of replenishing inventory.

The Group recognises the importance of safeguarding its financial strength to sustain shareholder value during slower business periods. With a balance sheet backed by S\$67.9 million in cash and zero debt, the Group believes it is well-positioned to capitalise on opportunities when the major steel consuming industries such as shipyards, start to experience a recovery momentum in business activities. To be ready for future opportunities, the Group is currently undertaking the redevelopment of one of its warehouses to extend the lease.

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)

	1Q ended 31/03/2016 S\$'000	1Q ended 31/03/2015 S\$'000
Penta Transport Services	33	72

The value of IPT of the Group is well below 3% of the Group's latest audited net tangible assets as at 31 December 2015.

The Company has no IPT general mandate.

14 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in accordance with Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
4 May 2016

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 2016 to be false or misleading.

On behalf of the Board of Directors

LEE CHOON BOK
EXECUTIVE CHAIRMAN

LEE YIH CHYI
MANAGING DIRECTOR