

ASIA ENTERPRISES HOLDING LIMITED

(Company Registration No. 200501021H)

Unaudited First Half Financial Statement for the Period ended 30 June 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					
	2Q FY2014 S\$'000	2Q FY2013 S\$'000	% + / (-)	1H FY2014 S\$'000	1H FY2013 S\$'000	% + / (-)
Revenue	21,650	32,203	(33)	43,584	72,457	(40)
Cost of Sales	(18,859)	(28,600)	(34)	(37,799)	(64,899)	(42)
Gross Profit	2,791	3,603	(23)	5,785	7,558	(23)
<u>Other Items of Income</u>						
Interest Income	70	72	(3)	129	122	6
Other Credits	242	309	(22)	258	440	(41)
<u>Other Items of Expense</u>						
Marketing and Distribution Costs	(310)	(321)	(3)	(599)	(688)	(13)
Administrative Expenses	(1,770)	(1,813)	(2)	(3,786)	(3,579)	6
Finance Costs	-	-	NM	(1)	-	NM
Other Charges	(145)	(160)	(9)	(173)	(160)	8
Profit Before Tax from Continuing Operations	878	1,690	(48)	1,613	3,693	(56)
Income Tax Expense	(148)	(369)	(60)	(259)	(721)	(64)
Profit Net of Tax	730	1,321	(45)	1,354	2,972	(54)
Profit Attributable to Owners of the Parent, Net of Tax	699	1,339	(48)	1,295	2,984	(57)
Profit/(Loss) Attributable to Non-Controlling Interests, Net of Tax	31	(18)	NM	59	(12)	NM
	730	1,321	(45)	1,354	2,972	(54)
Earnings Per Share						
Basic (Cents)	0.20	0.39		0.38	0.87	
Diluted (Cents)	0.20	0.39		0.38	0.87	

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

	Group					
	2Q FY2014 S\$'000	2Q FY2013 S\$'000	% + / (-)	1H FY2014 S\$'000	1H FY2013 S\$'000	% + / (-)
Gain on disposal of plant and equipment	-	1	NM	16	1	NM
Write-back/(Write-off) of doubtful debts and bad debts	242	(160)	NM	242	(160)	NM
Foreign exchange adjustment (loss)/gain	(145)	308	NM	(173)	439	NM
Depreciation expenses	(105)	(108)	(3)	(205)	(213)	(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					
	2Q FY2014 S\$'000	2Q FY2013 S\$'000	% + / (-)	1H FY2014 S\$'000	1H FY2013 S\$'000	% + / (-)
Profit Net of Tax	730	1,321	(45)	1,354	2,972	(54)
Other Comprehensive Income	-	-		-	-	
Total Comprehensive Income for the Period	730	1,321	(45)	1,354	2,972	(54)
Total Comprehensive Income Attributable to Owners of the Parent	699	1,339	(48)	1,295	2,984	(57)
Total Comprehensive Income/(Loss) Attributable to Non-Controlling Interests	31	(18)	NM	59	(12)	NM
Total Comprehensive Income	730	1,321	(45)	1,354	2,972	(54)

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 30/06/2014 S\$'000	As at 31/12/2013 S\$'000	As at 30/06/2014 S\$'000	As at 31/12/2013 S\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	6,141	6,101	-	-
Investment Property	555	565	-	-
Investments in Subsidiaries	-	-	43,530	43,530
Other Assets	100	100	-	-
Total Non-Current Assets	6,796	6,766	43,530	43,530
<u>Current Assets</u>				
Inventories	37,323	46,990	-	-
Trade and Other Receivables	15,566	19,138	17,601	19,151
Other Financial Assets	1,040	12	-	-
Cash and Cash Equivalents	59,049	47,702	2,139	2,357
Total Current Assets	112,978	113,842	19,740	21,508
Total Assets	119,774	120,608	63,270	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	49,866	50,280	4,291	5,961
Other Reserves	575	575	-	-
Equity, Attributable to Owners of the Parent	109,297	109,711	63,147	64,817
Non-Controlling Interests	6,318	6,339	-	-
Total Equity	115,615	116,050	63,147	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	791	734	4	9
Trade and Other Payables	2,725	3,181	119	212
Total Current Liabilities	3,516	3,915	123	221
Total Liabilities	4,159	4,558	123	221
Total Equity and Liabilities	119,774	120,608	63,270	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 30/06/2014 S\$'000		As at 31/12/2013 S\$'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30/06/2014 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			
	2Q FY2014 S\$'000	2Q FY2013 S\$'000	1H FY2014 S\$'000	1H FY2013 S\$'000
<u>Cash Flows from Operating Activities</u>				
Profit Before Tax	878	1,690	1,613	3,693
Adjustments for:				
Depreciation of Investment Property	5	4	10	9
Depreciation of Property, Plant and Equipment	100	104	195	204
Interest Income	(70)	(72)	(129)	(122)
Interest Expense	-	-	1	-
Gain on Disposal of Plant and Equipment	-	(1)	(16)	(1)
Operating Cash Flows Before Changes in Working Capital	913	1,725	1,674	3,783
Inventories	3,773	(6,595)	9,667	11,708
Trade and Other Receivables	1,555	5,426	3,572	(831)
Trade and Other Payables	(1,311)	(857)	(456)	(6,180)
Net Cash Flows From/(Used in) Operations Before Interest and Tax	4,930	(301)	14,457	8,480
Income Taxes Paid	(221)	(257)	(202)	(259)
Net Cash Flows From/(Used in) Operating Activities	4,709	(558)	14,255	8,221
<u>Cash Flows from Investing Activities</u>				
Purchase of Financial Assets	(1,028)	-	(1,028)	-
Disposal of Plant and Equipment	-	1	16	1
Purchase of Plant and Equipment	(57)	(52)	(235)	(52)
Interest Received	70	72	129	122
Net Cash Flows (Used in)/From Investing Activities	(1,015)	21	(1,118)	71
<u>Cash Flows from Financing Activities</u>				
Dividends Paid to Equity Owners	(1,709)	(3,419)	(1,709)	(3,419)
Dividends Paid to Non-Controlling Interests	-	-	(80)	-
Trade and Other Payables	-	254	-	254
Interest Paid	-	-	(1)	-
Net Cash Flows Used in Financing Activities	(1,709)	(3,165)	(1,790)	(3,165)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,985	(3,702)	11,347	5,127
Cash and Cash Equivalents, Beginning Balance	57,064	49,026	47,702	40,197
Cash and Cash Equivalents, Ending Balance	59,049	45,324	59,049	45,324

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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 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)						
Opening Balance at 1 January 2013	115,736	109,402	58,856	575	49,971	6,334
Total Comprehensive Income/(Loss) for the Period ended 30 June 2013	2,972	2,984	-	-	2,984	(12)
Dividends paid	(3,419)	(3,419)	-	-	(3,419)	-
Closing Balance at 30 June 2013	115,289	108,967	58,856	575	49,536	6,322
(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 30 June 2014	39	-	39
Dividends paid	(1,709)	-	(1,709)
Closing Balance at 30 June 2014	63,147	58,856	4,291
Opening Balance at 1 January 2013	66,803	58,856	7,947
Total Comprehensive Loss for the Period ended 30 June 2013	(57)	-	(57)
Dividends paid	(3,419)	-	(3,419)
Closing Balance at 30 June 2013	63,327	58,856	4,471

- 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 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 30 June 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			
	2Q FY2014	2Q FY2013	1H FY2014	1H FY2013
Earnings per ordinary share for the period based on net profit attributable to shareholders				
(a) Based on 341,917,487 ordinary shares	0.20 cents	0.39 cents	0.38 cents	0.87 cents
(b) On a fully diluted basis	0.20 cents	0.39 cents	0.38 cents	0.87 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 30/06/2014	As at 31/12/2013	As at 30/06/2014	As at 31/12/2013
Net asset value per ordinary share (cents) *	31.97	32.09	18.47	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 six months of 2014 increased by 2.5% to around 821.3 megatonnes (Mt), compared to the same period in 2013. Higher production of crude steel was witnessed in Asia, the European Union and North America. Crude steel production in Asia rose by 2.9% to 555.5 Mt, driven mainly by increases of 4.5% and 10.8% in the China and South Korea markets respectively. China continued to account for around 50% of world crude steel production in the first half of 2014. (Source: World Steel Association)

After dipping slightly in February 2014, the MEPS Global Composite Steel Price has remained in a narrow range over the ensuing months. This can be attributed to sluggish demand from steel end-users and lack of speculative purchasing. In addition, steel service centers are keeping stocks lean. (Source: MEPS, "The MEPS Global Steel Price Slips as Iron Ore Costs Slide", 2 July 2014")

Review of Statement of Comprehensive Income

The operating environment for the Group in the three months ended 30 June 2014 ("2Q14") remained challenging. Heightened competitive conditions prevailed due to soft demand for steel products from end-users amid a situation of excess inventory in the steel supply chain. Consequently, the Group witnessed a decline in business volume and revenue in 2Q14. While the Group's gross profit margin showed an improvement in 2Q14, this could not compensate for the impact of lower revenue. As a result, the Group reported a decrease in net profit in 2Q14 compared to 2Q13.

As a result of the challenging market conditions since the start of 2014, the Group posted lower revenue and net profit for the six months ended 30 June 2014 ("1H14").

Nevertheless, the Group maintained a strong financial position at the end of June 2014, with cash and cash equivalents of S\$59.0 million and zero borrowings. Net asset value per share stood at 31.97 cents. On a per share basis, cash and cash equivalents translated to 17.27 cents while the Group's inventory of steel products translated to 10.92 cents.

Revenue

Revenue (S\$ m)	1Q	2Q	1H	3Q	4Q	Full Year
FY2014	21.9	21.7	43.6	-	-	-
FY2013	40.3	32.2	72.5	19.7	23.0	115.1
y-o-y change	(46%)	(33%)	(40%)	-	-	-

Group revenue declined 33% to S\$21.7 million in 2Q14 due mainly to lower sales volume. Sales to customers in the marine and offshore sector decreased significantly as a result of the slowdown in newbuilding activities at shipyards located in the region. Sales to the construction sector were also lower as there was lower requirement for infrastructure projects in Singapore in 2Q14. However, the Group saw improved sales to engineering/fabrication customers, stockists and traders during the quarter in review.

For 1H14, Group revenue was down 40% to S\$43.6 million due mainly to the decline in sales volume compared to the same period a year ago.

Gross Profit and Gross Profit Margin

		1Q	2Q	1H	3Q	4Q	Full Year
Gross Profit (S\$ m)	FY2014	3.0	2.8	5.8	-	-	-
	FY2013	4.0	3.6	7.6	2.3	2.5	12.4
Gross Profit Margin	FY2014	13.7%	12.9%	13.3%	-	-	-
	FY2013	9.8%	11.2%	10.4%	11.9%	11.1%	10.8%

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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 in 2Q14 decreased 23% to S\$2.8 million. However, as the Group was able to reduce its cost of sales at a faster pace than revenue, its gross profit margin expanded to 12.9% from 11.2% in 2Q13.

Together with its higher gross profit margin in 1Q14, the Group's gross profit margin improved to 13.3% in 1H14 compared to 10.4% in 1H13.

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 2Q14, the Group recorded other income of S\$312,000 which comprised interest income and write-back of doubtful and bad debts. This is in comparison to other income of S\$381,000 in 2Q13 which included a foreign exchange gain of S\$308,000.

Marketing and Distribution Costs and Administrative Expenses

Marketing and distribution costs in 2Q14 eased to S\$310,000 from S\$321,000 previously in tandem with the lower level of freight and handling services that were required for customers' orders. Administrative expenses of S\$1.8 million in 2Q14 were little changed from 2Q13.

On a six-month basis, market, distribution and administrative expenses totalled S\$4.4 million which was relatively stable compared to S\$4.3 million in 1H13.

Finance Costs and other charges

The Group incurred zero finance cost in 2Q14. Other charges in 2Q14 amounted to S\$145,000 due to a foreign exchange loss. In 2Q13, it recorded other charges of S\$160,000 due to write-off of doubtful and bad debts.

Net Profit and Net Profit Margin

		1Q	2Q	1H	3Q	4Q	Full Year
Net Profit (S\$ m)	FY2014	0.6	0.7	1.3	-	-	-
	FY2013	1.7	1.3	3.0	0.4	0.4	3.7
	y-o-y change	(62%)	(45%)	(54%)	-	-	-
Net Profit Margin	FY2014	2.8%	3.4 %	3.1%	-	-	-
	FY2013	4.1%	4.1%	4.1%	1.8%	1.8%	3.2%

The Group posted a net profit of S\$0.7 million in 2Q14, down 45% from S\$1.3 million in 2Q13, due primarily to the steep decline in revenue. For 1H14, Group registered a net profit of S\$1.3 million, a decrease of 54% from S\$3.0 million in 1H13.

Review of Financial Position

Statement of Financial Position as at 30 June 2014

As at 30 June 2014, the Group's shareholders' equity stood at S\$109.3 million, compared to S\$109.7 million as at 31 December 2013. This translated to net asset value of 31.97 cents per share at the end of June 2014.

The Group increased its cash and cash equivalents to S\$59.0 million and remained debt free as at 30 June 2014.

Trade and other receivables at the end of June 2014 reduced to S\$15.6 million, compared to S\$19.1 million at the end of December 2013, in line with lower sales. Debtor turnover (annualised) in 1H14 was 65 days compared to 61 days for FY2013.

Inventories (measured on a weighted average cost basis) as at 30 June 2014 decreased to S\$37.3 million compared to S\$47.0 million as at 31 December 2013, as the Group continued to align its stock of steel products to prevailing market conditions.

Trade and other payables as at 30 June 2014 decreased to S\$2.7 million from S\$3.2 million as at 31 December 2013.

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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\$4.7 million during 2Q14. This arose mainly from earnings before interest, tax and depreciation of S\$0.9 million, a reduction in inventory and trade and other receivables totalling S\$5.3 million and a decrease in trade and other payables of S\$1.3 million.

Net cash used in investing activities amounted to S\$1.0 million in 2Q14, due mainly to purchase of financial assets. Net cash used in financing activities totalled S\$1.7 million, owing mainly to the payment of dividends to shareholders of the Company with respect to FY2013. As a result of the above changes, the Group's cash and cash equivalents increased by S\$2.0 million in 2Q14 to S\$59.0 million as at 30 June 2014.

- 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

According to MEPS (International) Ltd, world crude steel output is forecast to grow by 2.7% to a new all-time high of 1,655 Mt in 2014, driven mainly by increased production in China (Source: MEPS World Steel Outlook Quarter 2 – 2014).

In its short range outlook for 2014 and 2015 released on 9 April 2014, the World Steel Association (worldsteel) forecasted global apparent steel use to increase at a slower pace of 3.1% to 1,527 Mt in 2014, compared to growth of 3.6% in 2013. worldsteel said that global demand for steel continues to recover but growth is stabilising at a lower rate with continued volatility and uncertainty leading to a challenging environment for steel companies. It is projecting world steel demand to grow by 3.3% to 1,576 Mt in 2015. (Source: worldsteel Short Range Outlook, 9 April 2014)

Group Outlook

With the slowdown in orders since the latter half of FY2013 continuing during the first six months of FY2014, the Group envisages business conditions to remain challenging for the remaining months of this year. Competition within the steel distribution industry is expected to remain intense due to cautious end-user demand and the ample level of inventory in the steel 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 opportunities in sectors such as engineering/fabrication, to maintain a diversified customer base.

With its focus on profitability, the Group will continue to prudently manage its inventory purchases and keep a close watch on operating expenses. This will ensure the Group maintains a sound financial position 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)

	1H FY2014 S\$'000	1H FY2013 S\$'000
Penta Transport Services	<u>241</u>	<u>337</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 2013.

The Company has no IPT general mandate.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
7 August 2014

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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 2014 to be false or misleading.

On behalf of the Board of Directors

LEE CHOON BOK
EXECUTIVE CHAIRMAN

LEE YIH CHYI
MANAGING DIRECTOR