



LEE METAL GROUP LTD

REG. No. 198205439C

First Quarter Financial Statements And Dividend Announcement

1(a)(i) The Board of Directors of Lee Metal Group Ltd is pleased to announce the unaudited results of the Group for the First Quarter ended 31 March 2014.

INCOME STATEMENT FOR FIRST QUARTER ENDED 31 MARCH 2014

		1st Qtr ended 31 Mar		
		2014	2013	+ / (-)
		\$'000	\$'000	%
Turnover		104,774	154,631	(32.2%)
Other operating income	A	541	17	3082.4%
Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased		(82,952)	(130,202)	(36.3%)
Employee benefits expense	B	(5,353)	(5,994)	(10.7%)
Depreciation and amortisation	C	(2,358)	(1,619)	45.6%
Insurance, freight and transportation	D	(521)	(473)	10.1%
Rental and utilities	E	(1,867)	(1,661)	12.4%
Repair and maintenance	F	(927)	(754)	22.9%
Other operating expenses	G	(3,231)	(3,031)	6.6%
Financial expense		(849)	(783)	8.4%
Financial income		207	191	8.4%
Share of results of associate		(23)	104	n.m
Profit before tax		7,441	10,426	(28.6%)
Income tax expense		(1,284)	(1,775)	(27.7%)
Profit attributable to equity holders of the Company		6,157	8,651	(28.8%)

STATEMENTS OF COMPREHENSIVE INCOME FOR FIRST QUARTER ENDED 31 MARCH 2014

		1st Qtr ended 31 Mar		
		2014	2013	+ / (-)
		\$'000	\$'000	%
Profit attributable to equity holders of the Company		6,157	8,651	(28.8%)
Other comprehensive income (Item that may be reclassified subsequently to profit or loss):-				
- Foreign currency translation reserve		(87)	523	n.m
Total comprehensive income attributable to equity holders of the Company		6,070	9,174	(33.8%)

1(a)(ii) Notes to the Income Statement

		1st Qtr ended 31 Mar		
		2014	2013	+ / (-)
		\$'000	\$'000	%
A) Other operating income comprises the following:				
- Gain on disposal of property, plant and equipment, net		21	-	n.m
- Commission income		9	17	(47.1%)
- Rental income		511	-	n.m
		541	17	3082.4%

- B) Employee benefits expense decreased by 10.7% in 1st Quarter ended 31 March 2014 mainly due to lower personnel costs in line with lower turnover in both Fabrication & Manufacturing business and Steel Merchandising business.
- C) Depreciation and amortisation expense increased by 45.6% in 1st Quarter 2014 due to higher capital expenditure in the Fabrication & Manufacturing business.
- D) Insurance, freight and transportation increased by 10.1% in 1st Quarter 2014 due to the increase in business volume in Fabrication & Manufacturing business.
- E) Rental and utilities increased by 12.4% in 1st Quarter 2014 mainly due to additional storage space for increased inventory level in Singapore.
- F) Repair and maintenance increased by 22.9% in 1st Quarter 2014 due to higher costs incurred for upkeep and servicing of more machineries.

	1st Qtr ended 31 Mar		
	2014 \$'000	2013 \$'000	+ / (-) %
G) Other operating expenses include:			
- Outsourcing of labour	648	771	(16.0%)
- Worker's dormitories and related costs	336	276	21.7%
- Tools and consumables	296	247	19.8%
- Insurance	321	224	43.3%
- Bank charges	104	194	(46.4%)
- Trade commission	55	185	(70.3%)
- Professional fees	120	139	(13.7%)
- Travelling	142	118	20.3%
- Printing and stationery	159	115	38.3%
- Net loss in foreign exchange	613	213	187.8%
- Property, plant and equipment written off	-	193	(100.0%)
- Other miscellaneous expenses	437	356	22.8%
	3,231	3,031	6.6%

H) n.m means not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	Group		Company	
		31.03.2014 \$'000	31.12.2013 \$'000	31.03.2014 \$'000	31.12.2013 \$'000
Non-current assets					
Property, plant and equipment		39,012	38,365	4,727	4,809
Investment properties		17,249	17,558	-	-
Investment in subsidiaries		-	-	20,490	20,490
Investment in associate		414	437	-	-
Club memberships		626	642	236	240
		57,301	57,002	25,453	25,539
Current assets					
Inventories	1	203,443	156,947	-	-
Trade receivables	2	64,920	71,339	-	-
Other receivables and deposits		440	539	17	8
Prepayments		1,312	1,093	24	3
Forward exchange contracts		-	409	-	-
Due from subsidiaries (non trade)		-	-	20,151	17,396
Loans to associate		16,524	16,349	-	-
Fixed deposits		29,435	65,219	16,102	16,100
Cash and bank balances		83,040	49,950	573	764
		399,114	361,845	36,867	34,271
Total assets		456,415	418,847	62,320	59,810

EQUITY AND LIABILITIES	Notes	Group		Company	
		31.03.2014	31.12.2013	31.03.2014	31.12.2013
		\$'000	\$'000	\$'000	\$'000
Current liabilities					
Trade payables	1	16,273	24,014	20	-
Bills payable to banks (secured)	1	206,278	163,230	-	-
Other payables and accruals	3	8,082	14,975	493	455
Advance payment from customers	1	10,910	7,764	-	-
Provision for onerous contracts		6,645	6,645	-	-
Forward exchange contracts		233	-	-	-
Hire purchase creditors		4,425	4,326	-	-
Bank term loans (secured)		3,370	3,370	-	-
Income tax payable		10,654	9,384	541	479
		266,870	233,708	1,054	934
Net current assets		132,244	128,137	35,813	33,337
Non-current liabilities					
Hire purchase creditors		13,573	14,435	-	-
Bank term loans (secured)		9,626	10,468	-	-
Deferred tax liabilities		184	144	281	242
		23,383	25,047	281	242
Total liabilities		290,253	258,755	1,335	1,176
Net assets		166,162	160,092	60,985	58,634
Equity attributable to equity holders of the Company					
Share capital		46,473	46,473	46,473	46,473
Retained earnings		127,120	120,963	14,512	12,161
Foreign currency translation reserve		(7,431)	(7,344)	-	-
		166,162	160,092	60,985	58,634

1(b)(ii) Notes to the Statements of Financial Position

- Inventories increased by \$46.5m due to higher stock position mainly in Fabrication & Manufacturing business and partly in Steel Merchandising business. Correspondingly, bills payable to banks and advance payment from customers have increased but offset by decrease in trade payables.
- Trade receivables decreased by \$6.4m mainly due to better collection in Fabrication & Manufacturing business.
- Other payables and accruals decreased by \$6.9m mainly due to lower operating expenses accrued in 1st Quarter 2014 compared to year end as at 31 December 2013.

1(b)(iii) Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31.03.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
214,073	-	170,926	-

Amount repayable after one year

As at 31.03.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
23,199	-	24,903	-

Details of collateral

The Group's bills payable and bank term loan are secured by the following:

- (a) corporate guarantees given by the Company and certain subsidiaries to the banks;
- (b) letters of negative pledges on the assets of the Company and certain subsidiaries, with the exception of property, plant and equipment under hire purchase arrangements.
- (c) a deed of charge and assignment of inventories, charge over fixed deposits and floating charge over trade receivables.
- (d) the bank term loans are secured by legal mortgages over the leasehold investment properties of the Group with a net book value of \$17.2 million as at 31 March 2014 (31 December 2013: \$17.6m).

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS FOR FIRST QUARTER ENDED 31 MARCH 2014

		1st Qtr ended 31 Mar	
		2014	2013
	Note	\$'000	\$'000
Operating activities			
Profit before tax		7,441	10,426
Adjustments for:			
Amortisation of club memberships		16	4
Depreciation of property, plant and equipment		2,033	1,615
Depreciation of investment properties		309	-
Property, plant and equipment written off		-	193
Gain on disposal of property, plant and equipment, net		(21)	-
Interest expense		849	783
Interest income		(207)	(191)
Net fair value loss on forward exchange contracts		642	24
Foreign currency translation adjustments		(704)	536
Share of results of associate		23	(104)
Operating cash flows before changes in working capital		10,381	13,286
(Increase)/decrease in:			
Inventories		(46,497)	(1,385)
Trade receivables		6,419	4,199
Other receivables, deposits and prepayments		(120)	(2,536)
Increase/(decrease) in:			
Trade payables		(7,741)	(44,042)
Other payables and accruals		(3,746)	(2,176)
Cash flows used in operations		(41,304)	(32,654)
Interest paid		(849)	(783)
Interest received		207	191
Income taxes refund / (paid)		27	(176)
Net cash flows used in operating activities	4	(41,919)	(33,422)
Investing activities			
Purchase of property, plant and equipment		(2,459)	(2,182)
Purchase of club memberships		-	(86)
Proceeds from disposal of property, plant and equipment		120	-
Increase in loans to associate		(175)	(186)
Net cash flows used in investing activities	5	(2,514)	(2,454)
Financing activities			
(Increase) / decrease in fixed deposits - pledged		(4,182)	2,423
Increase in bills payable to banks (secured)		43,048	37,495
Repayment of bank term loans		(842)	(331)
(Repayment of) / proceeds from hire purchase, net		(1,067)	3,116
Net cash flows from financing activities	6	36,957	42,703
Net (decrease) / increase in cash and cash equivalents		(7,476)	6,827
Effect of exchange rate changes on cash and cash equivalents		600	(44)
Cash & cash equivalents at beginning of the year		114,719	61,259
Cash & cash equivalents at end of the period	7	107,843	68,042

1(c)(i) Notes to the Consolidated Statement of Cash Flows

- 4) Net cash flows used in operating activities increased by \$8.5m from \$33.4m to \$41.9m in 1st Quarter 2014. This was mainly due to increase in inventories but partly offset by decrease in trade payables.
- 5) Net cash flows used in investing activities in 1st Quarter 2014 stood at \$2.5m similar compared to last year. This was mainly due to acquisition of new plant and equipment in the Fabrication & Manufacturing business.
- 6) Net cash flows from financing activities decreased by \$5.7m to \$37.0m, from \$42.7m in 1st Quarter last year. This was mainly due to the increase in bills payable to banks.
- 7) Cash and cash equivalents as at 1st Quarter 2014 and 1st Quarter 2013 comprised the following:-

	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Cash and bank balances	83,040	48,616
Fixed deposits	29,435	29,697
Less: Fixed deposits pledged	(4,632)	(10,271)
	<u>107,843</u>	<u>68,042</u>

Fixed deposits of \$4.6m (2013: \$10.3m) were pledged with banks to secure credit facilities for subsidiaries are restricted in use and may not be withdrawn without the banks' prior approval.

1(d)(i) STATEMENTS OF CHANGES IN EQUITY

GROUP	Share Capital	Translation Reserve	Revenue Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 01.01.2014	46,473	(7,344)	120,963	160,092
Changes in equity for the period:				
Total comprehensive income for the period	-	(87)	6,157	6,070
Balance as at 31.03.2014	<u>46,473</u>	<u>(7,431)</u>	<u>127,120</u>	<u>166,162</u>

Balance as at 01.01.2013	46,473	(8,358)	92,677	130,792
Changes in equity for the period:				
Total comprehensive income for the period	-	523	8,651	9,174
Balance as at 31.03.2013	<u>46,473</u>	<u>(7,835)</u>	<u>101,328</u>	<u>139,966</u>

COMPANY	Share Capital	Revenue Reserve	Total Equity
	\$'000	\$'000	\$'000
Balance as at 01.01.2014	46,473	12,161	58,634
Changes in equity for the period:			
Total comprehensive income for the period	-	2,351	2,351
Balance as at 31.03.2014	<u>46,473</u>	<u>14,512</u>	<u>60,985</u>

Balance as at 01.01.2013	46,473	9,215	55,688
Changes in equity for the period:			
Total comprehensive income for the period	-	131	131
Balance as at 31.03.2013	<u>46,473</u>	<u>9,346</u>	<u>55,819</u>

1(d)(ii) Changes in Share Capital

Share Capital	Number of shares	\$'000
<u>Ordinary share issued & fully paid</u>		
Balance as at 01.01.2014 & 31.03.2014	<u>474,551,093</u>	<u>46,473</u>

There was no movement in the issued and paid-up capital of the Company since 31 December 2013.

There were no outstanding convertibles as at 31.03.2014 (31.03.2013: Nil)

The Company has no treasury shares as at 31.03.2014 (31.03.2013: Nil)

2 Audit

The financial statements have not been audited nor reviewed by the company's auditor.

3 Auditor's Report

Not Applicable.

4 Accounting Policies

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the current financial year as with those in the most recently audited financial statements as at 31 December 2013.

5 Changes in Accounting Policies

In the current year, the Group has adopted all the new/revised Financial Reporting Standards which took effect for annual periods beginning on or after 1 January 2014. The adoption of the above FRS did not result in any substantial change to the Group's accounting policies.

6 Earnings per ordinary share of the group

	<u>1st Qtr ended 31 Mar</u>	
	2014	2013
Earnings per ordinary share for the period based on net profit attributable to equity holders:-		
(a) On weighted average number of ordinary shares in issue	1.30cents	1.82cents
(b) On a fully diluted basis	1.30cents	1.82cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of ordinary shares in issue during 1st Quarter 2014 of 474,551,093 shares (1st Quarter 2013: 474,551,093 shares).

There is no difference between the basic and diluted earnings per share.

7 Net asset value per ordinary share

	Group as at:		Company as at:	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Net asset value per share based on existing issued share capital as at end of the respective dates	35.01cents	33.74cents	12.85cents	12.36cents

Net asset value is computed based on the number of shares in issue as at 31 March 2014 & 31 December 2013 of 474,551,093 shares.

8 Performance Review

Group turnover in 1st Quarter 2014 decreased by 32.2% to \$104.8m, from \$154.6m in the corresponding quarter last year. This was owing to lower business volume in Steel Merchandising business coupled with weaker steel prices in Fabrication & Manufacturing business.

The Group's net profit after tax in 1st Quarter 2014 was \$6.2m, a reduction by 28.8% compared to \$8.7m in 1st Quarter 2013. This was caused by increased competition in Fabrication and Manufacturing business.

Fabrication & Manufacturing business turnover in 1st Quarter 2014 decreased by 2.8% to \$87.6m from \$90.1m in the corresponding quarter last year. Despite stronger business volume, the decrease in turnover was due to lower steel prices of the reinforcement steel rebar and mesh products.

Steel Merchandising business turnover in 1st Quarter 2014 decreased by 73.3% to \$17.2m from \$64.5m in the corresponding quarter last year. This was due to the continuous weak demand and steel prices in our main market in Malaysia.

Group gross profit margin as percentage of turnover in 1st Quarter 2014 increased to 20.8% from 15.8% in the same quarter last year. Higher contribution from Fabrication & Manufacturing business has supported the increase in Group gross profit margin.

As the Group continues to gear up to support the growing Fabrication & Manufacturing business, costs increases were incurred in the following areas:

- Depreciation and amortisation;
- Insurance, freight and transportation;
- Rental and utilities;
- Repair and maintenance; and
- Other operating expenses

For 1st Quarter ended 31 March 2014, net cash flows used in operating activities amounted to \$41.9m. This was caused by increase in inventories but partly offset by decrease in trade payables. Net cash flows used in investing activities amounted to \$2.5m. This was mainly due to acquisition of new plant and equipment in the Fabrication & Manufacturing business. With net cash flows from financing activities of \$37.0m, cash and cash equivalents as at 31 March 2014 amounted to \$107.8m, down from \$114.7m as at 1 January 2014.

The Balance Sheet remained strong. The net asset value per share as at 31 March 2014 increased to 35.01 cents up from 33.74 cents as at 31 December 2013.

9 Variance from Prospect Statement

No variance from previous statement.

10 Prospect Statement

The outlook for our Steel Merchandising business remains weak as our clients are challenged by rising costs and keen domestic competition.

In Singapore, the construction demand is expected to remain strong in 2014 with Building and Construction Authority (BCA) forecasting construction demand to be between \$31 billion and \$38 billion. Looking ahead however, we expect greater competition from new entrants in the market, and rising costs associated with labour and financing. The Group is focused on customer-oriented delivery of value-added products at the right pricing and with timely delivery.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim payable on 24 June 2014
Dividend Type	Cash
Dividend Rate	0.20 cent per ordinary share
Tax Rate	One-tier tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim paid on 24 June 2013
Dividend Type	Cash
Dividend Rate	0.20 cent per ordinary share
Tax Rate	One-tier tax exempt

(c) Date payable

24 June 2014.

(d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 10th June 2014 after 5.00 p.m. for the purpose of determining shareholders' entitlement to the interim dividend of 0.20 cent per ordinary share.

Duly completed registrable transfers in respect of shares of the Company received by the Company's Share Registrar, KCK CorpServe Pte. Ltd., of 333 North Bridge Road KH Kea Building #08-00, Singapore 188721 up to 5.00 p.m. on 10th June 2014 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares of the Company as at 5.00 p.m. on 10th June 2014 will be entitled to such proposed dividend. In this respect, the dividend will be paid by the Company to CDP which will distribute the dividend to holders of the securities accounts.

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

Not applicable.

13 Interested Person Transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

14 Confirmation pursuant to Rule 705(5) of the SGX Listing Manual

We, Lee Lin Poey and Lee Heng Thiam, being two directors of Lee Metal Group Ltd, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the 1st Quarter ended 31 March 2014 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
9 May 2014