

**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 2015.

INCOME STATEMENT FOR FIRST QUARTER ENDED 31 MARCH 2015

		1st Qtr ended 31 Mar		
		2015	2014	+ / (-)
		\$'000	\$'000	%
Turnover	Notes	131,764	104,774	25.8%
Other operating income	A	192	541	(64.5%)
Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased		(108,507)	(82,952)	30.8%
Employee benefits expense	B	(6,160)	(5,353)	15.1%
Depreciation and amortisation	C	(2,740)	(2,358)	16.2%
Insurance, freight and transportation	D	(949)	(521)	82.1%
Rental and utilities	E	(2,050)	(1,867)	9.8%
Repair and maintenance	F	(1,079)	(927)	16.4%
Other operating expenses	G	(4,626)	(3,231)	43.2%
Financial expense	H	(768)	(849)	(9.5%)
Financial income	I	222	207	7.2%
Share of results of associate	J	(207)	(23)	800.0%
Profit before tax		5,092	7,441	(31.6%)
Income tax expense		(1,003)	(1,284)	(21.9%)
Profit attributable to equity holders of the Company		4,089	6,157	(33.6%)

STATEMENTS OF COMPREHENSIVE INCOME FOR FIRST QUARTER ENDED 31 MARCH 2015

		1st Qtr ended 31 Mar		
		2015	2014	+ / (-)
		\$'000	\$'000	%
Profit attributable to equity holders of the Company		4,089	6,157	(33.6%)
Other comprehensive income (Item that may be reclassified subsequently to profit or loss):-				
- Foreign currency translation reserve		919	(87)	n.m
Total comprehensive income attributable to equity holders of the Company		5,008	6,070	(17.5%)

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

		1st Qtr ended 31 Mar		
		2015	2014	+ / (-)
		\$'000	\$'000	%
A) Other operating income comprises the following:				
- Gain on disposal of property, plant and equipment, net		10	21	(52.4%)
- Commission income		10	9	11.1%
- Rental income		35	511	(93.2%)
- Sundry income		137	-	n.m
		192	541	(64.5%)

- B) Employee benefits expense increased by 15.1% in 1st Quarter 2015 mainly due to increase in headcount and foreign worker levy in line with higher value-added activities in the Fabrication & Manufacturing business.
- C) Depreciation and amortisation expense increased by 16.2% in 1st Quarter 2015 due to higher capital expenditure in the Fabrication & Manufacturing business.
- D) Insurance, freight and transportation increased by 82.1% in 1st Quarter 2015 due to increase in business volume in Fabrication & Manufacturing business as well as transportation cost incurred for Steel Merchandising business.
- E) Rental and utilities increased by 9.8% in 1st Quarter 2015 mainly due to additional storage space for increased inventory level in Singapore and higher utilities in line with higher value-added activities in the Fabrication & Manufacturing business.
- F) Repair and maintenance increased by 16.4% in 1st Quarter 2015 due to higher costs incurred for upkeeping and servicing of more machineries and motor vehicles.

	1st Qtr ended 31 Mar		
	2015	2014	+ / (-)
	\$'000	\$'000	%
G) Other operating expenses include:			
- Outsourcing of labour	1,411	648	117.7%
- Worker's dormitories and related costs	391	336	16.4%
- Tools and consumables	304	296	2.7%
- Insurance	386	321	20.2%
- Bank charges	42	104	(59.6%)
- Trade commission	126	55	129.1%
- Professional fees	109	120	(9.2%)
- Travelling	152	142	7.0%
- Printing and stationery	178	159	11.9%
- Net loss in foreign exchange	1,070	613	74.6%
- Other miscellaneous expenses	457	437	4.6%
	4,626	3,231	43.2%

- H) Financial expense decreased by 9.5% in 1st Quarter 2015 due to lower trade financing quantum in Steel Merchandising business.
- I) Financial income increased by 7.2% in 1st Quarter 2015 due to interest received from banks.
- J) Share of results of associate increased 800.0% in 1st Quarter 2015 mainly due to financial expenses incurred in associate, Maxlee Development Pte Ltd
- K) n.m means not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	Group		Company	
		31.03.2015 \$'000	31.12.2014 \$'000	31.03.2015 \$'000	31.12.2014 \$'000
Non-current assets					
Property, plant and equipment		49,942	49,589	4,416	4,515
Investment property		1,994	2,004	-	-
Investment in subsidiaries		-	-	20,490	20,490
Investment in associate		11,776	11,983	-	-
Club memberships		564	579	224	227
Deferred tax assets		1,038	1,038	-	-
		65,314	65,193	25,130	25,232
Current assets					
Inventories	1	107,598	139,616	-	-
Trade receivables	2	92,014	85,166	-	-
Other receivables and deposits		783	637	11	11
Prepayments	3	26,320	6,450	40	23
Forward exchange contracts		596	596	-	-
Due from subsidiaries (non trade)		-	-	11,580	11,083
Loans to associate		10,784	10,784	-	-
Fixed deposits		23,758	42,946	23,308	23,303
Cash and bank balances		49,019	46,101	777	853
		310,872	332,296	35,716	35,273
Total assets		376,186	397,489	60,846	60,505
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	1	15,847	43,234	22	24
Bills payable to banks (secured)	1	126,513	117,258	-	-
Other payables and accruals	4	9,567	14,260	489	441
Advance payment from customers	1	3,086	5,618	-	-
Provision for onerous contracts		6,645	6,645	-	-
Hire purchase creditors		4,500	4,506	-	-
Bank term loans (secured)		3,370	3,370	-	-
Income tax payable		7,319	6,292	628	557
		176,847	201,183	1,139	1,022
Net current assets		134,025	131,113	34,577	34,251
Non-current liabilities					
Hire purchase creditors		9,203	10,314	-	-
Bank term loans (secured)		6,256	7,098	-	-
Deferred tax liabilities		1,198	1,221	260	281
		16,657	18,633	260	281
Total liabilities		193,504	219,816	1,399	1,303
Net assets		182,682	177,673	59,447	59,202
Equity attributable to equity holders of the Company					
Share capital		46,473	46,473	46,473	46,473
Retained earnings		141,544	137,454	12,974	12,729
Foreign currency translation reserve		(5,335)	(6,254)	-	-
		182,682	177,673	59,447	59,202

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

- 1) Inventories decreased by \$32.0m due to lower stock position in Steel Merchandising business. Correspondingly, trade payables and advance payment from customers also decreased but offset by increase in bills payable to banks.
- 2) Trade receivables increased by \$6.8m in line with higher turnover in Fabrication & Manufacturing business.
- 3) Prepayments increased by \$19.9m mainly due to prepayments relating to purchase of inventories.
- 4) Other payables and accruals decreased by \$4.7m mainly due to lower operating expenses accrued in 1st Quarter 2015 as compared to 31 December 2014.

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

Amount repayable in one year or less, or on demand

As at 31.03.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
134,383	-	125,134	-

Amount repayable after one year

As at 31.03.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
15,459	-	17,412	-

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 Group's leasehold investment properties with net book value of \$2.0m (31.12.2014: \$2.0m) and property, plant and equipment with net book value of \$14.0m (31.12.2014: \$14.3m).

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

- 5) Net cash flows used in operating activities in 1st Quarter 2015 was \$20.9m, decreased by \$21.0m from \$41.9m in 1st Quarter 2014. This was mainly due to decrease in inventories but partly offset by increase in other receivables, deposits and prepayments.
- 6) Net cash flows used in investing activities in 1st Quarter 2015 was \$3.0m, increased by \$0.5m from \$2.5m in the corresponding quarter last year. This was due to higher acquisition of plant and equipment.
- 7) Net cash flows from financing activities in 1st Quarter 2015 decreased by \$29.7m, from \$37.0m to \$7.3m. This was mainly due to the decrease in bills payable to banks as compared to 1st Quarter 2014.
- 8) Cash and cash equivalents as at 1st Quarter comprised the following:-

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Cash and bank balances	49,019	83,040
Fixed deposits	23,758	29,435
Less: Fixed deposits pledged	(450)	(4,632)
	<u>72,327</u>	<u>107,843</u>

Fixed deposits of \$0.5m (2014: \$4.6m) 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 01.01.2015	46,473	(6,254)	137,455	177,674
Changes in equity for the period:				
Total comprehensive income for the period	-	919	4,089	5,008
Balance as at 31.03.2015	<u>46,473</u>	<u>(5,335)</u>	<u>141,544</u>	<u>182,682</u>

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>

COMPANY	Share Capital	Revenue Reserve	Total Equity
	\$'000	\$'000	\$'000
Balance as at 01.01.2015	46,473	12,729	59,202
Changes in equity for the period:			
Total comprehensive income for the period	-	245	245
Balance as at 31.03.2015	<u>46,473</u>	<u>12,974</u>	<u>59,447</u>

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>

1(d)(ii) Changes in Share Capital

Share Capital	Number of shares	\$'000
Ordinary share issued & fully paid		
Balance as at 01.01.2015 & 31.03.2015	<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 2014.

There were no outstanding convertibles as at 31.03.2015 (31.03.2014: Nil)

The Company has no treasury shares as at 31.03.2015 (31.03.2014: 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 2014.

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 2015. 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>	
	2015	2014
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	0.86cents	1.30cents
(b) On a fully diluted basis	0.86cents	1.30cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of ordinary shares issued during 1Q15 of 474,551,093 shares (1Q14: 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:	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
Net asset value per share based on existing issued share capital as at end of the respective dates	38.50cents	37.44cents	12.53cents	12.48cents

Net asset value is computed based on the number of shares in issue as at 31 March 2015 & 31 December 2014 of 474,551,093 shares.

8 Performance Review

For 1st Quarter 2015, Group turnover increased 25.8% to \$131.8m from \$104.8m in the corresponding quarter last year. The higher turnover was attributable to Fabrication & Manufacturing business which increased 28.5% to \$112.6m from \$87.6m, and Steel Merchandising business which increased 11.6% to \$19.2m from \$17.2m. The increase in turnover from both businesses was contributed by higher business volume but offset by weaker steel prices.

For 1st Quarter 2015, Group gross profit margin as percentage of turnover was 17.7%, lower than the corresponding quarter last year at 20.8%. This was mainly due to lower margin in our Fabrication & Manufacturing business.

The increase in tonnage delivered in the Fabrication & Manufacturing business has resulted in costs increase in the following areas:

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

The Group's profit attributable to equity holders of the Company was \$4.1m in 1st Quarter 2015, a decrease of 33.6% from the corresponding quarter last year of \$6.2m.

Cashflow

For the 1st Quarter 2015, net cash flows used in operating activities amounted to \$20.9m. This was mainly due to decrease in inventories but partly offset by increase in other receivables, deposits and prepayments. Net cash flows used in investing activities amounted to \$3.0m. This was mainly due to higher acquisition of new plant and equipment. With net cash flows from financing activities of \$7.3m, cash and cash equivalents as at 31 Mar 2015 amounted to \$72.3m, down from \$88.6m as at 1 January 2015.

Balance Sheet

The Balance Sheet remained strong. The net asset value per share as at 31 Mar 2015 increased to 38.50 cents up from 37.44 cents as at 31 December 2014.

9 Variance from Prospect Statement

No variance from previous statement.

10 Prospect Statement

The outlook for our Steel Merchandising business remains soft as our clients are challenged by keen domestic competition.

In Singapore, the construction demands are expected to remain strong in 2015 with Building and Construction Authority (BCA) forecasting construction demands to be between \$29 billion to \$36 billion. Competition and rising business costs will exert pressure on our margin. The Group is vigilant and continue to maintain our competitive edge by increasing the value-added capacity to meet market demand.

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 2015
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 2014
Dividend Type	Cash
Dividend Rate	0.20 cent per ordinary share
Tax Rate	One-tier tax exempt

(c) Date payable

24 June 2015.

(d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 10th June 2015 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 2015 will be registered to determine Members' entitlements to such dividends. 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 2015 will be entitled to the such proposed dividend. In this respect, the said dividends will be paid by the Company to CDP which will distribute the dividends 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 2015 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
8 May 2015