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 Mar 2017.

INCOME STATEMENT FOR FIRST QUARTER ENDED 31 MAR 2017

		1st Qtr ended 31 Mar		
		2017	2016	+/(-)
	Notes	**$'000**	$'000	%
Turnover		**81,373**	76,518	6.3%
Other operating income	A	**90**	685	(86.9%)
Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased		**(65,439)**	(60,734)	7.7%
Employee benefits expense	B	**(5,088)**	(5,740)	(11.4%)
Depreciation and amortisation	C	**(2,568)**	(2,528)	1.6%
Insurance, freight and transportation	D	**(930)**	(926)	0.4%
Rental and utilities	E	**(1,483)**	(1,828)	(18.9%)
Repair and maintenance	F	**(722)**	(849)	(15.0%)
Other operating expenses	G	**(2,223)**	(1,887)	17.8%
Financial expense	H	**(364)**	(551)	(33.9%)
Financial income	I	**41**	46	(10.9%)
Share of results of associate	J	**(16)**	44	n.m
Profit before tax		**2,671**	2,250	18.7%
Income tax expense		**(496)**	(322)	54.0%
Profit attributable to equity holders of the Company		**2,175**	1,928	12.8%

STATEMENTS OF COMPREHENSIVE INCOME FOR FIRST QUARTER ENDED 31 MAR 2017

	1st Qtr ended 31 Mar		
	2017	2016	+/(-)
	$'000	$'000	%
Profit attributable to equity holders of the Company	**2,175**	1,928	12.8%
Other comprehensive income (Item that may be reclassified subsequently to profit or loss):-			
- Foreign currency translation reserve	**(424)**	(1,097)	(61.3%)
Total comprehensive income attributable to equity holders of the Company	**1,751**	831	110.7%

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

	1st Qtr ended 31 Mar		
	2017	2016	+/(-)
A) Other operating income comprises the following:	**$'000**	$'000	%
- Net gain in foreign exchange	**-**	425	(100.0%)
- Rental income	**35**	35	0.0%
- Sundry income	**55**	225	(75.6%)
	90	685	(86.9%)

B) Employee benefits expense decreased by 11.4% in 1st Quarter 2017 mainly due to lower personnel costs in line with lower volume in Fabrication & Manufacturing business.

C) Depreciation and amortisation expense increased slightly by 1.6% in 1st Quarter 2017 due to addition of fixed assets in FY2016 amounted to S$2.9m.

D) Insurance, freight and transportation increased marginally by 0.4% in 1st Quarter 2017.

E) Rental and utilities decreased by 18.9% in 1st Quarter 2017 following the Group streamlined its warehouse operations in the Fabrication & Manufacturing business.

F) Repair and maintenance decreased by 15.0% in 1st Quarter 2017 due to lower costs incurred for upkeeping and servicing machineries in the Fabrication & Manufacturing business.

	1st Qtr ended 31 Mar		
	2017	2016	+/(-)
	$'000	$'000	%
G) Other operating expenses include:			
- Worker's dormitories and related costs	**148**	421	(64.8%)
- Tools and consumables	**746**	289	158.1%
- Insurance	**204**	365	(44.1%)
- Bank charges	**32**	25	28.0%
- Trade commission	**54**	111	(51.4%)
- Professional fees	**56**	102	(45.1%)
- Travelling	**116**	154	(24.7%)
- Printing and stationery	**54**	49	10.2%
- Net loss in foreign exchange	**221**	-	n.m
- Property, plant and equipment written off	**-**	3	(100.0%)
- Impairment loss of trade receivables	**42**	6	600.0%
- Loss on disposal of property, plant and equipment, net	**41**	-	n.m
- Other miscellaneous expenses	**509**	362	40.6%
	2,223	1,887	17.8%

H) Financial expense decreased by 33.9% in 1st Quarter 2017 mainly due to lower financing quantum in Fabrication & Manufacturing business.

I) Financial income decreased by 10.9% in 1st Quarter 2017 due to decrease in interest income from banks.

J) Share of results of associate was a loss of $16,000 in 1st Quarter 2017 compared to a profit of $44,000 in the corresponding quarter last year. The profits were derived from additional sales of Austville units by the associate during first quarter of last year.

K) n.m means not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		31.03.2017	31.12.2016	**31.03.2017**	31.12.2016
ASSETS	**Notes**	**$'000**	$'000	**$'000**	$'000
Non-current assets					
Properties, plant and equipment		**51,157**	53,750	**3,937**	3,976
Investment property		**1,907**	1,918	**-**	-
Investment in subsidiaries		**-**	-	**20,381**	20,381
Investment in associate		**1,729**	1,745	**-**	-
Club memberships		**425**	440	**124**	127
Deferred tax assets		**693**	693	**-**	-
		55,911	58,546	**24,442**	24,484
Current assets					
Inventories	1	**124,944**	79,177	**-**	-
Trade receivables	2	**65,927**	57,129	**-**	-
Other receivables and deposits		**404**	250	**8**	8
Prepayments		**1,247**	635	**23**	4
Asset held for sale		**15,078**	14,424	**-**	-
Forward exchange contracts		**600**	600	**-**	-
Due from subsidiaries (non trade)		**-**	-	**17,509**	18,509
Fixed deposits		**28,470**	28,758	**10,301**	8,500
Cash and bank balances		**53,229**	69,081	**751**	1,272
		289,899	250,054	**28,592**	28,293
Total assets		**345,810**	308,600	**53,034**	52,777

	Notes	Group 31.03.2017	Group 31.12.2016	Company 31.03.2017	Company 31.12.2016
		$'000	$'000	**$'000**	$'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables		**3,830**	4,383	**20**	23
Bills payable to banks (secured)	1	**111,893**	77,311	**-**	-
Other payables and accruals	3	**13,065**	9,854	**333**	283
Advance payment from customers		**259**	354	**-**	-
Provision for onerous contracts		**14,287**	14,287	**-**	-
Hire purchase creditors		**4,284**	4,802	**-**	-
Bank term loans (secured)		**1,896**	2,708	**-**	-
Income tax payable		**5,705**	5,231	**351**	316
		155,219	118,930	**704**	622
Net current assets		**134,680**	131,124	**27,888**	27,671
Non-current liabilities					
Hire purchase creditors		**3,684**	4,514	**-**	-
Deferred tax liabilities		**277**	277	**278**	278
		3,961	4,791	**278**	278
Total liabilities		**159,180**	123,721	**982**	900
Net assets		**186,630**	184,879	**52,052**	51,877
Equity attributable to equity holders of the Company					
Share capital		**46,473**	46,473	**46,473**	46,473
Retained earnings		**144,787**	142,612	**5,579**	5,404
Foreign currency translation reserve		**(4,630)**	(4,206)	**-**	-
		186,630	184,879	**52,052**	51,877

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

1) Inventories increased by $45.8m mainly due to higher stock position in Fabrication & Manufacturing business. Correspondingly, bills payable to banks also increased.

2) Trade receivables increased by $8.8m mainly due to higher turnover in Fabrication & Manufacturing business.

3) Other payables and accruals increased by $3.2m mainly due to higher accrued operating expenses as of 1st Quarter 2017 compared to 31 Dec 2016.

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

Amount repayable in one year or less, or on demand

As at 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
118,073	-	84,821	-

Amount repayable after one year

As at 31.03.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
3,684	-	4,514	-

Details of collateral

The Group's bills payable and bank term loans 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 and floating charge over trade receivables; and

(d) the bank term loan is secured by legal mortgages over the Group's properties, plant and equipment with net book value of $17.3m (31 Dec 2016: $17.8m).

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS FOR FIRST QUARTER ENDED 31 MAR 2017

	Notes	1st Qtr ended 31 Mar 2017 $'000	2016 $'000
Operating activities			
Profit before tax		**2,671**	2,250
Adjustments for:			
Amortisation of club memberships		**15**	17
Depreciation of property, plant and equipment		**2,542**	2,500
Depreciation of investment property		**11**	11
Property, plant and equipment written off		**-**	3
Loss on disposal of property, plant and equipment, net		**41**	-
Interest expense		**364**	551
Interest income		**(41)**	(46)
Foreign currency translation adjustments		**(308)**	(950)
Share of results of associate		**16**	(44)
Impairment loss of trade receivables		**42**	6
Operating cash flows before changes in working capital		**5,353**	4,298
(Increase)/decrease in:			
Inventories		**(45,768)**	31,930
Trade receivables		**(8,840)**	9,241
Other receivables, deposits and prepayments		**(766)**	(1,066)
Increase/(decrease) in:			
Trade payables		**(552)**	(22,242)
Other payables and accruals		**3,115**	(1,325)
Cash flows from operations		**(47,458)**	20,836
Interest paid		**(364)**	(551)
Interest received		**41**	46
Income taxes paid		**(22)**	(97)
Net cash flows (used in)/from operating activities	4	**(47,803)**	20,234
Investing activities			
Purchase of property, plant and equipment		**(136)**	(759)
Proceeds from disposal of property, plant and equipment		**148**	-
Purchase of asset held for sale		**(654)**	(137)
Net cash flows used in investing activities	5	**(642)**	(896)
Financing activities			
Increase/(decrease) in bills payable to banks (secured)		**34,582**	(14,292)
Repayment of bank term loans		**(812)**	(6,952)
Repayment of hire purchase		**(1,347)**	(1,345)
Net cash flows from/(used in) financing activities	6	**32,423**	(22,589)
Net decrease in cash and cash equivalents		**(16,022)**	(3,251)
Effect of exchange rate changes on cash and cash equivalents		**(119)**	(160)
Cash & cash equivalents at beginning of the year		**97,840**	96,007
Cash & cash equivalents at end of the period	7	**81,699**	92,596

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

4) Net cash flows used in operating activities in 1st Quarter 2017 was $47.8m compared to net cash flows from operating activities in 1st Quarter 2016 of $20.2m. This was mainly due to the increase in inventories and trade receivables.

5) Net cash flows used in investing activities in 1st Quarter 2017 decreased by $0.3m, from $0.9m to $0.6m. This was due to reduction in purchase of plant and equipment but offset by increase in asset held for sale and proceeds from disposal of plant and equipment.

6) Net cash flows from financing activities in 1st Quarter 2017 was $32.4m compared to net cash flows used in financing activities in 1st Quarter 2016 of $22.6m. This was mainly due to increase in bills payable to banks and decrease in redemption of bank term loans .

7) Cash and cash equivalents as at 1st Quarter comprised the following:-

	2017	2016
	$'000	$'000
Cash and bank balances	**53,229**	64,647
Fixed deposits	**28,470**	28,399
Less: Fixed deposits pledged	**-**	(450)
	81,699	92,596

Fixed deposits of nil (31 Mar 2016: $0.5m) 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

	Attributable to equity holders of the Company			
GROUP	**Share Capital**	**Translation Reserve**	**Revenue Reserve**	**Total Equity**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 01.01.2017	**46,473**	**(4,206)**	**142,612**	**184,879**
Changes in equity for the period:				
Total comprehensive income for the period	**-**	**(424)**	**2,175**	**1,751**
Balance as at 31.03.2017	**46,473**	**(4,630)**	**144,787**	**186,630**
Balance as at 01.01.2016	46,473	(4,529)	138,791	180,735
Changes in equity for the period:				
Total comprehensive income for the period	-	(1,097)	1,928	831
Dividends on ordinary shares	-	-	-	-
Balance as at 31.03.2016	46,473	(5,626)	140,719	181,566

COMPANY	**Share Capital**	**Revenue Reserve**	**Total Equity**
	$'000	**$'000**	**$'000**
Balance as at 01.01.2017	**46,473**	**5,403**	**51,876**
Changes in equity for the period:			
Total comprehensive income for the period	**-**	**176**	**176**
Balance as at 31.03.2017	**46,473**	**5,579**	**52,052**
Balance as at 01.01.2016	46,473	6,114	52,587
Changes in equity for the period:			
Total comprehensive income for the period	-	172	172
Dividends on ordinary shares	-	-	-
Balance as at 31.03.2016	46,473	6,286	52,759

1(d)(ii) Changes in Share Capital

Share Capital	Number of shares	$'000
Ordinary share issued & fully paid		
Balance as at 01.01.2017 & 31.03.2017	**474,551,093**	**46,473**

There was no movement in the issued and paid-up capital of the Company since 31 Dec 2016.

There were no outstanding convertibles as at 31.03.2017 (31.03.2016: Nil)

The Company has no treasury shares as at 31.03.2017 (31.03.2016: 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 Dec 2016.

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 Jan 2017. 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

	1st Qtr ended 31 Mar	
	2017	2016
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	**0.46cents**	0.41cents
(b) On a fully diluted basis	**0.46cents**	0.41cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of ordinary shares issued during 1st Quarter 2017 of 474,551,093 shares (1st Quarter 2016: 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:	
	31.03.2017	31.12.2016	**31.03.2017**	31.12.2016
Net asset value per share based on existing issued share capital as at end of the respective dates	**39.33cents**	38.96cents	**10.97cents**	10.93cents

Net asset value is computed based on the number of shares in issue as at 31 Mar 2017 & 31 Dec 2016 of 474,551,093 shares.

8 Performance Review

For 1st Quarter 2017, the Group's turnover increased by 6.3% to $81.4m from $76.5m in the corresponding quarter last year. Having wound down our Steel Merchandising business, the higher turnover was attributable solely to Fabrication & Manufacturing business which increased by 9.3% to $81.4m from $74.5m. This increase in turnover was contributed by higher steel prices but offset by lower volume in Fabrication & Manufacturing business.

The Group's gross profit margin as a percentage of turnover in 1st Quarter 2017 was 19.6%, lower than the corresponding period last year of 20.6%. This was caused by lower gross profit margin derived from Fabrication & Manufacturing business due to lower tonnage delivered for value add products.

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

Employee benefits expense;

Rental and utilities;

Repair and maintenance; and

Financial expense

The increase in other operating expenses for 1st Quarter 2017 was mainly due to tools and consumables and net loss in foreign exchange.

Share of results of associate was a loss of $16,000 in 1st Quarter 2017 compared to a profit of $44,000 in the corresponding quarter last year. The profits were derived from additional sales of Austville units by the associate in the corresponding quarter of 2016.

The Group’s profit attributable to equity holders of the Company was $2.2m in 1st Quarter 2017, an increase of 12.8% from the corresponding quarter last year of $1.9m.

Cashflow

For the quarter ended 31 Mar 2017, net cash flows used in operating activities amounted to $47.8m. This was mainly due to the increase in inventories and trade receivables. Net cash flows used in investing activities amounted to $0.6m. This was mainly due to reduction in purchase of plant and equipment but offset by increase in asset held for sale and proceeds from disposal of plant and equipment . With net cash flows from financing activities of $32.4m, cash and cash equivalents as at 31 Mar 2017 was $81.7m, down from $92.6m as at 1 Jan 2017.

Balance Sheet

The Balance Sheet remained strong. The net asset value per share as at 31 Mar 2017 was 39.33 cents, slightly higher than 38.96 cents as at 31 Dec 2016.

9 Variance from Prospect Statement

No variance from previous statement.

10 Prospect Statement

Based on advance estimates released by the Ministry of Trade and Industry on 13 April 2017, construction sector saw a slowdown in private sector consturction activities and contracted by 1.1 per cent on a year-on-year basis in the first quarter of this year, extending the 2.8 per cent decline in the previous quarter. The Group will continue to streamline its work processes to reduce costs in order to stay competitive.

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 23 June 2017
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 2016
Dividend Type	Cash
Dividend Rate	0.20 cent per ordinary share
Tax Rate	One-tier tax exempt

(c) Date payable

23 June 2017.

(d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 9th June 2017 after 5.00 p.m. for the purpose of determining shareholders' entitlement to the interim dividend.

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 9th June 2017 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 9th June 2017 will be entitled to the such proposed dividend. In this respect, the said 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 Mar 2017 to be false or misleading in any material aspects.

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

The Group confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the listing manual.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary
8 May 2017