



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 2018.

INCOME STATEMENT FOR FIRST QUARTER ENDED 31 MARCH 2018

		1st Quarter ended 31 March		
		2018	2017	+ / (-)
		\$'000	\$'000	%
	Notes			
Turnover		100,447	81,373	23.4%
Other operating income	A	1,281	90	1323.3%
Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased		(85,981)	(65,439)	31.4%
Employee benefits expense	B	(5,017)	(5,088)	(1.4%)
Depreciation and amortisation	C	(2,291)	(2,568)	(10.8%)
Insurance, freight and transportation	D	(443)	(930)	(52.4%)
Rental and utilities	E	(1,616)	(1,483)	9.0%
Repair and maintenance	F	(654)	(722)	(9.4%)
Other operating expenses	G	(1,501)	(2,223)	(32.5%)
Financial expense	H	(743)	(364)	104.1%
Financial income	I	60	41	46.3%
Share of results of associate	J	(6)	(16)	(62.5%)
Profit before tax		3,536	2,671	32.4%
Income tax expense		(665)	(496)	34.1%
Profit attributable to owners of the Company		2,871	2,175	32.0%

STATEMENTS OF COMPREHENSIVE INCOME FOR FIRST QUARTER ENDED 31 MARCH 2018

		1st Quarter ended 31 March		
		2018	2017	+ / (-)
		\$'000	\$'000	%
Profit attributable to owners of the Company		2,871	2,175	32.0%
Other comprehensive income (Item that may be reclassified subsequently to profit or loss):-				
- Foreign currency translation reserve		(280)	(424)	(34.0%)
Total comprehensive income attributable to equity holders of the Company		2,591	1,751	48.0%

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

		1st Quarter ended 31 March		
		2018	2017	+ / (-)
		\$'000	\$'000	%
A) Other operating income comprises the following:				
- Net gain in foreign exchange		1,167	-	n.m
- Gain on disposal of property, plant and equipment, net		15	-	n.m
- Rental income		50	35	42.9%
- Sundry income		49	55	(10.9%)
		1,281	90	1323.3%

B) Employee benefits expense decreased marginally by 1.4% in 1st Quarter 2018 mainly due to lower levy incurred in the Fabrication & Manufacturing business as the Group progressively upgrades its workers to higher-skilled status.

C) Depreciation and amortisation expense decreased by 10.8% in 1st Quarter 2018 mainly due to some of the plant & equipment being fully depreciated in comparison to the corresponding period last year.

- D) Insurance, freight and transportation decreased by 52.4% in 1st Quarter 2018 mainly due to decrease in transportation cost in line with lower tonnage delivered.
- E) Rental and utilities increased by 9.0% in 1st Quarter 2018 mainly due to higher inventory level in the Fabrication & Manufacturing business.
- F) Repair and maintenance decreased by 9.4% in 1st Quarter 2018 due to lower costs incurred for upkeep and servicing machineries and motor vehicles in the Fabrication & Manufacturing business.

	1st Quarter ended 31 March		
	2018	2017	+ / (-)
	\$'000	\$'000	%
G) Other operating expenses include:			
- Worker's dormitories and related costs	151	148	2.0%
- Tools and consumables	271	746	(63.7%)
- Insurance	181	204	(11.3%)
- Bank charges	31	32	(3.1%)
- Trade commission	43	54	(20.4%)
- Professional fees	64	56	14.3%
- Travelling	123	116	6.0%
- Printing and stationery	66	54	22.2%
- Net loss in foreign exchange	-	221	(100.0%)
- Property, plant and equipment written off	1	-	n.m
- Loss on disposal of property, plant and equipment, net	-	41	(100.0%)
- Impairment loss of trade receivables	-	42	(100.0%)
- Impairment loss of investment properties	160	-	n.m
- Other miscellaneous expenses	410	509	(19.4%)
	1,501	2,223	(32.5%)

H) Financial expense increased by 104.1% in 1st Quarter 2018 mainly to finance higher inventory level compared to the corresponding period last year.

I) Financial income increased by 46.3% in 1st Quarter 2018 mainly due to increase in interest income from banks.

J) Share of loss of associate decreased by 62.5% in 1st Quarter 2018 mainly due to lower overheads incurred.

K) n.m means not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		31.03.2018	31.12.2017	31.03.2018	31.12.2017
ASSETS		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Properties, plant and equipment		48,605	50,836	3,783	3,821
Investment properties		2,411	2,530	-	-
Investment in subsidiaries		-	-	17,681	17,681
Investment in associate		1,698	1,704	-	-
Club memberships		372	379	115	117
Deferred tax assets		109	109	-	-
		53,195	55,558	21,579	21,619
Current assets					
Inventories	1	166,206	161,204	-	-
Trade receivables		73,079	71,870	-	-
Other receivables and deposits	2	14,984	3,275	13	13
Prepayments		710	202	32	5
Assets held for sale	3	24,292	42,028	-	-
Due from subsidiaries (non-trade)		-	-	24,454	29,707
Fixed deposits		22,081	23,221	11,473	6,507
Cash and bank balances		36,276	28,811	1,046	498
		337,628	330,611	37,018	36,730
Total assets		390,823	386,169	58,597	58,349

	Notes	Group		Company	
		31.03.2018	31.12.2017	31.03.2018	31.12.2017
		\$'000	\$'000	\$'000	\$'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	1	24,061	49,098	20	25
Bills payable to banks (secured)	1	153,274	121,743	-	-
Other payables and accruals		5,858	5,872	367	262
Advance payment from customers	4	-	2,308	-	-
Provision for onerous contracts	5	12,737	13,387	-	-
Forward exchange contracts		314	1,337	-	-
Hire purchase creditors		2,908	3,480	-	-
Income tax payable		3,042	2,446	278	263
		202,194	199,671	665	550
Net current assets		135,434	130,940	36,353	36,180
Non-current liabilities					
Hire purchase creditors		3,134	3,594	-	-
Deferred tax liabilities		290	290	290	290
		3,424	3,884	290	290
Total liabilities		205,618	203,555	955	840
Net assets		185,205	182,614	57,642	57,509
Equity attributable to owners of the Company					
Share capital		46,473	46,473	46,473	46,473
Retained earnings		143,497	140,626	11,169	11,036
Foreign currency translation reserve		(4,765)	(4,485)	-	-
		185,205	182,614	57,642	57,509

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

- 1) Inventories increased by \$5.0m mainly due to higher stock position in Fabrication & Manufacturing business. Correspondingly, total for trade payables and bills payable to banks also increased.
- 2) Other receivables and deposits increased by \$11.7m mainly due to deposits paid to steel supplier.
- 3) Assets held for sale decreased by \$17.7m mainly due to sale of a newly redeveloped bungalow.
- 4) Advance payment from customers decreased by \$2.3m due to the completion of sale for a newly redeveloped bungalow.
- 5) Provision for onerous contracts decreased by \$0.7m due to write-back of prior year's provision.

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

Amount repayable in one year or less, or on demand

As at 31.03.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
156,182	-	125,223	-

Amount repayable after one year

As at 31.03.2018		As at 31.12.2017	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
3,134	-	3,594	-

Details of collateral

The Group's bills payable to banks 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; and
- (c) a deed of charge and assignment of inventories and floating charge over trade receivables.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS FOR FIRST QUARTER ENDED 31 MARCH 2018

		1st Quarter ended 31 March	
		2018	2017
		\$'000	\$'000
	Notes		
Operating activities			
Profit before tax		3,536	2,671
Adjustments for:			
Amortisation of club memberships		7	15
Depreciation of property, plant and equipment		2,267	2,542
Depreciation of investment properties		17	11
Property, plant and equipment written off		1	-
(Gain)/loss on disposal of property, plant and equipment, net		(15)	41
Impairment loss of investment properties		160	-
Interest expense		743	364
Interest income		(60)	(41)
Unrealised gain on forward exchange contracts		(1,023)	-
Foreign currency translation adjustments		82	(308)
Share of results of associate		6	16
Impairment loss of trade receivables		-	42
Write-back of provision for onerous contracts		(650)	-
Operating cash flows before changes in working capital		5,071	5,353
(Increase)/decrease in:			
Inventories		(5,003)	(45,768)
Trade receivables		(1,210)	(8,840)
Other receivables, deposits and prepayments		(12,216)	(766)
Assets held for sale		17,736	(654)
Increase/(decrease) in:			
Trade payables		(25,037)	(552)
Other payables and accruals		(2,318)	3,115
Cash flows used in operations		(22,977)	(48,112)
Interest paid		(743)	(364)
Interest received		60	41
Income taxes paid		(69)	(22)
Net cash flows used in operating activities	6	(23,729)	(48,457)
Investing activities			
Purchase of property, plant and equipment		(37)	(136)
Subsequent expenditure on investment properties		(58)	-
Proceeds from disposal of property, plant and equipment		15	148
Net cash flows from/(used in) investing activities	7	(80)	12
Financing activities			
Increase in bills payable to banks (secured)		31,531	34,582
Repayment of bank term loans		-	(812)
Repayment of hire purchase		(1,032)	(1,347)
Net cash flows from financing activities	8	30,499	32,423
Net increase/(decrease) in cash and cash equivalents		6,690	(16,022)
Effect of exchange rate changes on cash and cash equivalents		(365)	(119)
Cash & cash equivalents at beginning of the year		52,032	97,840
Cash & cash equivalents at end of the period	9	58,357	81,699

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

- 6) Net cash flow used in operating activities in 1st Quarter 2018 decreased by \$24.8m, from \$48.5m to \$23.7m. This was mainly due to decrease in assets held for sale.
- 7) Net cash flows used in investing activities in 1st Quarter 2018 was \$0.08m compared to net cash flows from investing activities in 1st Quarter 2017 of \$0.01m. This was mainly due to reduction in proceeds from disposal of property, plant and equipment.
- 8) Net cash flows from financing activities in 1st Quarter 2018 decreased by \$1.9m, from \$32.4m to \$30.5m. This was mainly due to bills payable to banks.

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

	2018	2017
	\$'000	\$'000
Cash and bank balances	36,276	53,229
Fixed deposits	22,081	28,470
	58,357	81,699

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

GROUP	<u>Attributable to owners of the Company</u>			Total Equity
	Share Capital	Translation Reserve	Revenue Reserve	
	\$'000	\$'000	\$'000	\$'000
Balance as at 01.01.2018	46,473	(4,485)	140,626	182,614
Changes in equity for the period:				
Total comprehensive income for the period	-	(280)	2,871	2,591
Balance as at 31.03.2018	46,473	(4,765)	143,497	185,205
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
COMPANY	Share Capital	Revenue Reserve	Total Equity	
	\$'000	\$'000	\$'000	
Balance as at 01.01.2018	46,473	11,036	57,509	
Changes in equity for the period:				
Total comprehensive income for the period	-	133	133	
Balance as at 31.03.2018	46,473	11,169	57,642	
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	

1(d)(ii) Changes in Share Capital

Share Capital	<u>Number of shares</u>	<u>\$'000</u>
<u>Ordinary share issued & fully paid</u>		
Balance as at 01.01.2018 & 31.03.2018	474,551,093	46,473

There was no movement in the issued and paid-up capital of the Company since 31 December 2017.

There were no outstanding convertibles as at 31.03.2018 (31.03.2017: Nil).

The Company has no treasury shares as at 31.03.2018 (31.03.2017: Nil).

2 Audit

Pursuant to the requirements of Rule 25 of the Singapore Code on Take-overs and Mergers, the financial information of the Group relating to the three months ended 31 March 2018 and as at that date set out in sections 1(a)(i), 1(b)(i), 1(c), 1(d) and 6 of this announcement has been extracted from the interim financial report prepared in accordance with Singapore Financial Reporting Standard (International) 34 *Interim Financial Reporting*. This financial information has been reviewed by our auditors in accordance with Singapore Standard on Review Engagements 2410 *Review of Interm Financial Information Performed by the Independent Auditor of the Entity*.

The comparative figures for the three months ended 31 March 2017 have not been reviewed by the auditor.

3 Auditor's Report

Please refer to the independent auditors' review report dated 14 May 2018 appended to this announcement.

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 2017.

5 Changes in Accounting Policies

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the three months ended 31 March 2018. In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

The Group has not elected any optional exemption on the first-time adoption of SFRS(I)s. There is no significant impact to the Group's opening balance sheet as at 1 January 2017 on the date of transition to SFRS(I)s.

In addition, during the current financial period, the Group and the Company have adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018.

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group.

6 Earnings per ordinary share of the group

	<u>1st Quarter ended 31 March</u>	
	2018	2017
Earnings per ordinary share for the period based on net profit attributable to owners:-		
(a) On weighted average number of ordinary shares in issue	0.60cents	0.46cents
(b) On a fully diluted basis	0.60cents	0.46cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of ordinary shares issued during 1Q18 of 474,551,093 shares (1Q17: 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:	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Net asset value per share based on existing issued share capital as at end of the respective dates	39.03cents	38.48cents	12.15cents	12.12cents

Net asset value is computed based on the number of shares in issue as at 31 March 2018 & 31 December 2017 of 474,551,093 shares.

8 Performance Review

For 1st Quarter 2018, the Group's turnover increased by 23.4% to \$100.4m from \$81.4m in the corresponding quarter last year. The higher turnover was attributable to Property Development and Investment business which contributed \$21.0m, but partially offset by Fabrication & Manufacturing business which decreased by \$2.0m.

The Group completed its sale of a newly redeveloped bungalow in January 2018 for its Property Development and Investment business. While the decrease in turnover for its Fabrication and Manufacturing business was attributable to lower tonnage delivered, but this was partially offset by higher steel prices.

The Group's gross profit margins as a percentage of turnover in 1st Quarter 2018 was 14.4%, lower than the corresponding period last year of 19.6%. This was mainly due to lower margins derived from most of the products in the Fabrication & Manufacturing business.

In line with the decrease in tonnages delivered in the Fabrication & Manufacturing business, lower costs were incurred for insurance, freight and transportation, repair and maintenance and other operating expenses. However, higher costs were incurred for rental and financial expenses due to higher stockholding.

Share of loss of associate decreased by 62.5% in 1st Quarter 2018 due to lower overheads incurred.

The Group's profit attributable to owners of the Company was \$2.9m in 1st Quarter 2018, an increase of 32.0% from the corresponding quarter last year of \$2.2m.

Cashflow

For the 1st Quarter 2018, net cash flows used in operating activities decreased by \$24.8m, from \$48.5m to \$23.7m. This was mainly due to proceeds from disposal of asset held for sale. Net cash flows used in investing activities was \$0.08m compared to net cash flows from investing activities of \$0.01m. This was mainly due to reduction in proceeds from disposal of property, plant and equipment. With net cash flows from financing activities of \$30.5m, cash and cash equivalents as at 31 March 2018 was \$58.4m, up from \$52.0m as at 1 January 2018.

Balance Sheet

The Balance Sheet remained strong. The net asset value per share for the Group as at 31 March 2018 was 39.03 cents, slightly higher than 38.48 cents as at 31 December 2017.

9 Variance from Prospect Statement

No variance from previous statement.

10 Prospect Statement

Based on advance gross domestic product (GDP) estimates released by the Ministry of Trade and Industry on 13 April 2018, construction sector contracted by 4.4 per cent on a year-on-year basis in the first quarter of 2018, extending the 5.0 per cent decline in the previous quarter. The weak performance of the sector was due to a fall in both private sector and public sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 4.1 per cent, a reversal from the 0.2 per cent decline in the preceding quarter.

Although the rate of contraction in the construction sector has eased, margins are expected to remain under pressure due to excess capacity and continuous intense competition amongst the industry players.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No
Nil.

(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 (one-tier) tax exempt
Dividend Type	Cash
Dividend Rate	0.20 cent per ordinary share
Date paid / payable	23 June 2017

(c) Date

Not Applicable.

(d) Books closure date

Not Applicable.

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

No dividend has been declared or recommended for the quarter ended 31 March 2018.

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 2018 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
14 May 2018