



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 2016.

INCOME STATEMENT FOR FIRST QUARTER ENDED 31 MAR 2016

		1st Qtr ended 31 Mar		
		2016	2015	+ / (-)
	Notes	\$'000	\$'000	%
Turnover		76,518	131,764	(41.9%)
Other operating income	A	685	192	256.8%
Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased		(60,734)	(109,918)	(44.7%)
Employee benefits expense	B	(5,740)	(6,160)	(6.8%)
Depreciation and amortisation	C	(2,528)	(2,740)	(7.7%)
Insurance, freight and transportation		(926)	(949)	(2.4%)
Rental and utilities	D	(1,828)	(2,050)	(10.8%)
Repair and maintenance	E	(849)	(1,079)	(21.3%)
Other operating expenses	F	(1,887)	(3,215)	(41.3%)
Financial expense	G	(551)	(768)	(28.3%)
Financial income	H	46	222	(79.3%)
Share of results of associate	I	44	(207)	n.m
Profit before tax		2,250	5,092	(55.8%)
Income tax expense		(322)	(1,003)	(67.9%)
Profit attributable to equity holders of the Company		1,928	4,089	(52.8%)

STATEMENTS OF COMPREHENSIVE INCOME FOR FIRST QUARTER ENDED 31 MAR 2016

		1st Qtr ended 31 Mar		
		2016	2015	+ / (-)
		\$'000	\$'000	%
Profit attributable to equity holders of the Company		1,928	4,089	(52.8%)
Other comprehensive income (Item that may be reclassified subsequently to profit or loss):-				
- Foreign currency translation reserve		(1,097)	919	n.m
Total comprehensive income attributable to equity holders of the Company		831	5,008	(83.4%)

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

		1st Qtr ended 31 Mar		
		2016	2015	+ / (-)
		\$'000	\$'000	%
A) Other operating income comprises the following:				
- Net gain in foreign exchange		425	-	n.m
- Gain on disposal of property, plant and equipment, net		-	10	(100.0%)
- Commission income		-	10	(100.0%)
- Rental income		35	35	0.0%
- Sundry income		225	137	64.2%
		685	192	256.8%

B) Employee benefits expense decreased by 6.8% in 1st Quarter 2016 mainly due to lower personnel costs in line with lower volume in both Fabrication & Manufacturing business and Steel Merchandising business.

C) Depreciation and amortisation expense decreased by 7.7% in 1st Quarter 2016 as the Group revised the useful life of its wire mesh machines used in the Fabrication & Manufacturing business, which is in line with the industry practice.

D) Rental and utilities decreased by 10.8% in 1st Quarter 2016 mainly due to lower utilities incurred in line with lower business volume in the Fabrication & Manufacturing business.

E) Repair and maintenance decreased by 21.3% in 1st Quarter 2016 due to lower costs incurred for upkeep and servicing machineries.

	1st Qtr ended 31 Mar		
	2016 \$'000	2015 \$'000	+ / (-) %
F) Other operating expenses include:			
- Worker's dormitories and related costs	421	391	7.7%
- Tools and consumables	289	304	(4.9%)
- Insurance	365	386	(5.4%)
- Bank charges	25	42	(40.5%)
- Trade commission	111	126	(11.9%)
- Professional fees	102	109	(6.4%)
- Travelling	154	152	1.3%
- Printing and stationery	49	178	(72.5%)
- Net loss in foreign exchange	-	1,070	(100.0%)
- Property, plant and equipment written off	3	-	n.m
- Impairment loss of trade receivables	6	-	n.m
- Other miscellaneous expenses	362	457	(20.8%)
	1,887	3,215	(41.3%)

Outsourcing of labour expense of \$1,411,000 for 1st Quarter 2015 was reclassified from "Other operating expenses" to "Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased" to better reflect the costs of manufacturing in the Fabrication & Manufacturing business.

G) Financial expense decreased by 28.3% in 1st Quarter 2016 mainly due to lower financing quantum in both Steel Merchandising business and Fabrication & Manufacturing business.

H) Financial income decreased by 79.3% in 1st Quarter 2016 due to full repayment of loans by an associate in April 2015.

I) Share of results of associate for 1st Quarter 2016 was a profit of \$44,000 compared to a loss of \$207,000 in the corresponding quarter last year due to additional sales in Austville.

J) n.m means not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		31.03.2016	31.12.2015	31.03.2016	31.12.2015
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Notes					
Non-current assets					
Property, plant and equipment		60,119	61,851	4,091	4,130
Investment property		1,950	1,961	-	-
Investment in subsidiaries		-	-	20,490	20,490
Investment in associate		1,690	1,646	-	-
Club memberships		595	612	242	246
Deferred tax assets		73	73	-	-
		64,427	66,143	24,823	24,866
Current assets					
Inventories	1	57,509	89,438	-	-
Trade receivables	2	59,615	68,862	-	-
Other receivables and deposits		348	506	12	12
Prepayments		2,357	1,133	24	4
Asset held for sale		12,980	12,843	-	-
Forward exchange contracts		515	515	-	-
Due from subsidiaries (non trade)		-	-	4,195	9
Fixed deposits		28,399	27,780	18,502	26,012
Cash and bank balances		64,647	68,678	6,447	2,841
		226,370	269,755	29,180	28,878
Total assets		290,797	335,898	54,003	53,744
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	1	3,614	25,856	22	25
Bills payable to banks (secured)	1	59,475	73,767	-	-
Other payables and accruals		8,596	9,915	465	410
Advance payment from customers		339	347	-	-
Provision for onerous contracts		7,499	7,499	-	-
Hire purchase creditors		5,398	5,421	-	-
Bank term loans (secured)	3	3,250	3,370	-	-
Income tax payable		6,183	5,958	507	472
		94,354	132,133	994	907

	Notes	Group		Company	
		31.03.2016	31.12.2015	31.03.2016	31.12.2015
		\$'000	\$'000	\$'000	\$'000
Net current assets		132,016	137,622	28,186	27,971
Non-current liabilities					
Hire purchase creditors		7,972	9,293	-	-
Bank term loans (secured)	3	6,656	13,488	-	-
Deferred tax liabilities		249	249	250	250
		14,877	23,030	250	250
Total liabilities		109,231	155,163	1,244	1,157
Net assets		181,566	180,735	52,759	52,587
Equity attributable to equity holders of the Company					
Share capital		46,473	46,473	46,473	46,473
Retained earnings		140,719	138,791	6,286	6,114
Foreign currency translation reserve		(5,626)	(4,529)	-	-
		181,566	180,735	52,759	52,587

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

- 1) Inventories decreased by \$31.9m mainly due to lower stock position in Fabrication & Manufacturing business. Correspondingly, trade payables and bills payable to banks also decreased.
- 2) Trade receivables decreased by \$9.2m mainly due to lower turnover in Fabrication & Manufacturing business.
- 3) Bank term loans decreased by \$7.0m in total mainly due to repayment of property loans.

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

Amount repayable in one year or less, or on demand

As at 31.03.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
68,123	-	82,558	-

Amount repayable after one year

As at 31.03.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
14,628	-	22,781	-

Details of collateral

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

- corporate guarantees given by the Company and certain subsidiaries to the banks;
- 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;
- a deed of charge and assignment of inventories, charge over fixed deposits and floating charge over trade receivables; and
- the bank term loans are secured by legal mortgages over the Group's leasehold investment property with net book value of \$2.0m (31.12.2015: \$2.0m), asset held for sale with net book value of \$13.0m (31.12.2015: \$12.8m) and property, plant and equipment with net book value of \$12.8m (31.12.2015: \$13.1m).

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS FOR FIRST QUARTER ENDED 31 MAR 2016

	Notes	1st Qtr ended 31 Mar	
		2016 \$'000	2015 \$'000
Operating activities			
Profit before tax		2,250	5,092
Adjustments for:			
Amortisation of club memberships		17	16
Depreciation of property, plant and equipment		2,500	2,713
Depreciation of investment property		11	11
Property, plant and equipment written off		3	-
Gain on disposal of property, plant and equipment, net		-	(10)
Interest expense		551	768
Interest income		(46)	(222)
Foreign currency translation adjustments		(950)	536
Share of results of associate		(44)	207
Impairment loss of trade receivables		6	-
Operating cash flows before changes in working capital		4,298	9,111
(Increase)/decrease in:			
Inventories		31,930	32,019
Trade receivables		9,241	(6,848)
Other receivables, deposits and prepayments		(1,066)	(20,016)
Increase/(decrease) in:			
Trade payables		(22,242)	(27,387)
Other payables and accruals		(1,325)	(7,226)
Cash flows from operations		20,836	(20,347)
Interest paid		(551)	(768)
Interest received		46	222
Income taxes (paid)/refunded		(97)	1
Net cash flows from/(used in) operating activities	4	20,234	(20,892)
Investing activities			
Purchase of property, plant and equipment		(759)	(3,148)
Proceeds from disposal of property, plant and equipment		-	132
Purchase of asset held for sale		(137)	-
Net cash flows used in investing activities	5	(896)	(3,016)
Financing activities			
(Decrease)/increase in bills payable to banks (secured)		(14,292)	9,255
Repayment of bank term loans		(6,952)	(842)
Repayment of hire purchase		(1,345)	(1,117)
Net cash flows (used in)/from financing activities	6	(22,589)	7,296
Net decrease in cash and cash equivalents		(3,251)	(16,612)
Effect of exchange rate changes on cash and cash equivalents		(160)	342
Cash & cash equivalents at beginning of the year		96,007	88,597
Cash & cash equivalents at end of the period	7	92,596	72,327

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

- 4) Net cash flows from operating activities in 1st Quarter 2016 was \$20.2m compared to net cash flows used in operating activities in the corresponding quarter last year of \$20.9m. This was mainly due to the decrease in inventories and trade receivables but offset by the decrease in trade payables and other payables and accruals.
- 5) Net cash flows used in investing activities in 1st Quarter 2016 decreased by \$2.1m, from \$3.0m to \$0.9m. This was due to reduction in purchase of plant and equipment.
- 6) Net cash flows used in financing activities in 1st Quarter 2016 was \$22.6m compared to net cash flows from financing activities in 1st Quarter 2015 of \$7.3m. This was mainly due to the decrease in bills payable to banks and redemption of bank term loans.

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

	2016	2015
	\$'000	\$'000
Cash and bank balances	64,647	49,019
Fixed deposits	28,399	23,758
Less: Fixed deposits pledged	(450)	(450)
	<u>92,596</u>	<u>72,327</u>

Fixed deposits of \$0.5m (2015: \$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

GROUP	Share Capital	Translation Reserve	Revenue Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
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
Balance as at 31.03.2016	<u>46,473</u>	<u>(5,626)</u>	<u>140,719</u>	<u>181,566</u>
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>

COMPANY	Share Capital	Revenue Reserve	Total Equity
	\$'000	\$'000	\$'000
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
Balance as at 31.03.2016	<u>46,473</u>	<u>6,286</u>	<u>52,759</u>
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>

1(d)(ii) Changes in Share Capital

Share Capital	Number of shares	\$'000
<u>Ordinary share issued & fully paid</u>		
Balance as at 01.01.2016 & 31.03.2016	<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 2015.

There were no outstanding convertibles as at 31.03.2016 (31.03.2015: Nil)

The Company has no treasury shares as at 31.03.2016 (31.03.2015: 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 2015.

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 2016. 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	
	2016	2015
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	0.41cents	0.86cents
(b) On a fully diluted basis	0.41cents	0.86cents

Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of ordinary shares issued during 1st Quarter 2016 of 474,551,093 shares (1st Quarter 2015: 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:	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Net asset value per share based on existing issued share capital as at end of the respective dates	38.26cents	38.09cents	11.12cents	11.08cents

Net asset value is computed based on the number of shares in issue as at 31 March 2016 & 31 December 2015 of 474,551,093 shares.

8 Performance Review

For 1st Quarter 2016, the Group's turnover decreased by 41.9% to \$76.5m from \$131.8m in the corresponding quarter last year. The lower turnover was attributable to Fabrication & Manufacturing business which decreased by 33.9% to \$74.4m from \$112.6m, and Steel Merchandising business which decreased by 89.1% to \$2.1m from \$19.2m. The decrease in turnover was contributed by weaker steel prices in Fabrication & Manufacturing business and lower volume in both Fabrication & Manufacturing business and Steel Merchandising business.

The Group's gross profit margin as a percentage of turnover in 1st Quarter 2016 was 20.6% which was higher than the corresponding period last year of 16.6%. This was mainly due to higher gross profit margin derived from our Fabrication & Manufacturing business.

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

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

The decrease in depreciation and amortisation expense for 1st Quarter 2016 was due to the Group revised the useful life of its wire mesh machines used in the Fabrication & Manufacturing business to be in line with the industry practice.

Share of results of associate for 1st Quarter 2016 was a profit of \$44,000 compared to a loss of \$207,000 in the corresponding quarter last year due to additional sales in Austville.

The Group's profit attributable to equity holders of the Company was \$1.9m in 1st Quarter 2016, a decrease of 52.8% from the corresponding quarter last year of \$4.1m.

Cashflow

For three months ended 31 March 2016, net cash flows from operating activities amounted to \$20.2m. This was mainly due to the decrease in inventories and trade receivables but offset by the decrease in trade payables and other payables and accruals. Net cash flows used in investing activities amounted to \$0.9m. This was mainly due to the reduction in purchase of plant and equipment. With net cash flows used in financing activities of \$22.6m, cash and cash equivalents as at 31 March 2016 was \$92.6m, down from \$96.0m as at 1 January 2016.

Balance Sheet

The Balance Sheet remained strong. The net asset value per share as at 31 March 2016 was 38.26 cents, better than 38.09 cents as at 31 December 2015.

9 Variance from Prospect Statement

No variance from previous statement.

10 Prospect Statement

The outlook for Steel Merchandising business remains subdued due to forex risk and volatility in steel prices. The Group will contain the risks by reducing business activity in this segment.

BCA estimates construction demand for FY2016 to be between \$26 billion and \$35 billion. While this is expected to provide a sustainable demand for our Fabrication & Manufacturing business, the Group faces a challenging environment due to intense market competition, forex risk and volatility in steel prices. The Group continues to improve productivity and streamline work processes 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 24 June 2016
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 2015
Dividend Type	Cash
Dividend Rate	0.20 cent per ordinary share
Tax Rate	One-tier tax exempt

(c) Date payable

24 June 2016.

(d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 10th June 2016 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 2016 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 2016 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 March 2016 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
28 April 2016