NAM LEE PRESSED METAL INDUSTRIES LIMITED
Company Registration No. 197500362M
(Incorporated in Singapore)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FOR THE PURPOSES OF THE ANNUAL GENERAL MEETING TO BE HELD ON 16 JANUARY 2023

Nam Lee Pressed Metal Industries Limited (the "Company", together with its subsidiaries, the "Group") would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by electronic means on 16 January 2023. The following are the questions submitted by shareholders and the responses of the Company.

Question 1

Loans and borrowings (current liabilities) increased from S$8m in FY2021 to S$38m in FY2022, which is a much higher level than in previous years. Does the company expect this to increase further? What are the reasons for the change in debt appetite compared to previous years?

Company's Response

The increase in borrowings result from the use of trust receipts to finance stocking up of inventories for orders on hand and projected sales. This was to mitigate the risk of fluctuating raw material cost and disruption of supply chain.

While progressive construction of new office building may result in new borrowings in FY2023, we do not expect any significant increase in total borrowing as there is adequate inventory to cater for sales in the near term will result in less purchases.

Question 2

The total remuneration for the three Advisors was S$2.2m & S$1.8m in FY2021 & FY2022 respectively, while the total remuneration for the three Executive Directors was S$794k & S$778k in FY2021 & FY2022 respectively. The level of remuneration implies that the level of responsibilities for the three Advisors continue to be significant, compared to the three Executive Directors. Could the company update on the 3-year succession plan and whether it is on track for completion in the calendar year 2023?

Company's Response

Yes, the 3-year succession plan is on track for completion in calendar year 2023. Management is exploring the possibility for the continuation of advisors and this discussion with the board is ongoing.

Question 3

What measures are the company taking to mitigate the significant drop in demand for reefer containers in the next 12 months?

Company's Response

To mitigate this, we shall continue to expand our footprint in local construction business by striving to secure more projects, whilst continuing to engage in cost reduction, optimise resource allocation and improving operational efficiency across all the Group's other business segments. To optimise resource allocation, the Group reallocated some of the manpower from manufacturing reefer container components to the manufacturing and supply of products to the construction industry. Activities for the latter is expected to be higher in FY2023 compared to FY2022.

Question 4

We are starting the FY23 with an all-high inventory of $79m in the last 5 years of semi-annual reporting (i.e., 8 data).
(a) Are we expecting a better 1H Revenue than the previous year's 1H ($112m)?
(b) And will we be better equipped to avoid the negatives that ruined our 2H FY22 performance?

It is stated that in 2H FY2022, the 'group's result was affected by the rising raw material prices, labour cost and other operating costs.
(a) 1H FY2022 had a healthy Gross Profit Margin 16.4%. Thereafter, at what point did the Gross Profit Margin begin to slide…in 3Q FY2022, or in 4Q FY2022?
(b) Has the Company rectified these shortcomings to be able to say that these adverse factors are behind us?
(c) If not, which adverse factors that still prevail in FY23?
(d) How are these adverse factors being managed?

In view of the cost pressures in the various segments, especially construction-related segments, what measures are the company taking to manage costs? How effective are these measures?

Company's Response

The revenue in 1H FY2023 is expected to be lower than in 1H FY2022 due to a lower demand for reefer containers.

Materials, sub-contractor and labour cost including accommodation cost for foreign labour have increased in the wider economy and the Group is not immune to such increases.

The drop in gross profit margin during 2H FY2022 arose largely in Q4 FY2022. The above adverse factors will not be completely removed in the near term. However, there are mitigating actions that we can and have taken, including continuing efforts in securing contracts for supply to the building industry at better margins to defray some of the higher cost, entering into fixed price contracts with vendors for materials, subcontractors, outsourced labour and dormitory to reduce price variability and to control cost. Our focus on improving operational efficiency, optimising inventory levels and labour, cost reductions and spending controls will continue.

BY ORDER OF THE BOARD

Eric Yong Han Keong
Managing Director
Date: 9 January 2023