

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 22 JANUARY 2021

Nam Lee Pressed Metal Industries Limited (the “**Company**”, and 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 22 January 2021. The following are the questions submitted by shareholders and the responses of the Company.

Question 1

Refer to page 4 of the Chairman's Statement, "While the authorities in Malaysia and Singapore had permitted controlled resumption of manufacturing and construction activities, the pace of full resumption had been gradual."

i) May the board update shareholders on the current resumption status of the business activities for each of the segments? Have our manufacturing activities been fully restored to pre-COVID level? If not, what is the percentage of our current operations we are operating compared to pre-COVID period?

"Strict safe management measures had to be implemented to curb the spread of COVID-19 and this inevitably increased operating costs and prolonged project timelines."

ii) May the board provide details on the quantum of increased operating costs due to the "safe management measures due to the pandemic"?

Refer to the news report, <https://www.straitstimes.com/asia/se-asia/malaysia-extends-recovery-movement-control-order-to-mar-31> Malaysia extends recovery movement control order to March 31"

iii) What are the impacts to our production activities in Malaysia?

iv) Where are our workers (Singapore and Malaysia) housed, in our factories or dormitories? Are there any of our workers in Malaysia factories infected with COVID-19 cases in Malaysia? If there are, how many cases are there and what are the factories and which are the manufacturing or production facilities affected by the infection?

Company's Response

All of our business activities in Singapore have been fully restored. However, our manufacturing operation in Malaysia was recently disrupted by the second Movement Control Order (2nd MCO) for a period of 14 days from 13th January 2021 - 26th January 2021. We expect around 30% of our current operations will continue running during the 2nd MCO period.

Increased operating costs is mainly due to provision of the following:

- 1) daily meals for workers during quarantined period;
- 2) masks and hand sanitisers to all of our employees;

- 3) thermometers to all of our offices, construction sites and dormitories for regular check of temperature;
- 4) accommodation and swab tests for employees returning to Singapore;
- 5) transportation for those workers who are required to undergo Rostered Routine Testing (RRT) every 14 days; and
- 6) additional cleaning service at common areas.

The majority of our foreign workers stay in the dormitories operated by third parties which also accommodate workers of other employers. Like many other manufacturing operations in Malaysia with workers in such dormitories, a certain number of our foreign workers in Malaysia are required to stay inside their units in the dormitories at all times when instances of infections are detected in these dormitories.

Some of our workers have been affected by stay-in orders starting from 26 December 2020 and ending 29 January 2021. Management monitors the incidences and progressively fine-tunes mitigation strategies to manage the impact.

Question 2

Refer to page 5 of the chairman statement, "The single largest acquisition in FY 2020 was buildings, leasehold improvements and leasehold interest at 4, Gul Way for a consideration of S\$18.5 million. The lease is up to 2048. It will boost capacity to take on new contracts from customers and also provide premises to operate in Singapore as the lease of our current premises is due to expire in 2025. Improvement work on the new premises is ongoing and the premise is expected to be ready for certain operations in the first quarter of 2021 and fully operational around the end of 2021."

- i) What are the improvement works we are doing at the new premises? What is the CAPEX budgeted for the improvement work at the new premises?
- ii) Besides using the new premise as a HQ, what are the manufacturing and production operations the company is planning at the 40,000 metre squares premise?
- iii) Could you share the relocation plan between the Sungei Kadut and Gul way plant? Will you expect any production disruption?

Company's Response

We allocated a budget of S\$23 million (including of S\$18.5 million for the premises we have acquired) for additions and alteration work on parts of the existing production building and the construction of a new office building.

The more accessible location of the premise and the increased gross floor area of the premise will enhance the capacity of the Group's operations and allow the Group to remain competitive in the market.

The Company intends to use the premise as its headquarters and to house production facilities that will support the current core business of the Group. The lease with JTC for the Company's existing head office will expire in 2025. The company may relocate in 2025 or even earlier and will make relevant announcements in due course.

The relocation plan is in progress and we do not foresee any significant disruption to our operation.

Question 3

Inventories increased from S\$40.5 million as at 30 September 2019 to S\$54.7 million as at 30 September 2020, mainly due to delay in deliveries to and installation at customers' sites as a result of COVID-19 restrictions.

May the board provide more details (e.g. which business segments and what products as well as who are the customers) of the above delay in the "deliveries to and installation at customers' sites"? Has the products been delivered and installed at customer's sites?

Company's Response

The delay in the deliveries and installation impacted all of our products and business segments.

We have contractual commitments for longer term contracts with progressive deliveries and expect such deliveries and installation to be substantially completed by mid-2022. The COVID 19 pandemic has caused most project schedules to be extended by our customers.

Question 4

Refer to page 7 of chairman statement, "With the enhancements made to our factory in Malaysia and Singapore, we remain competent in producing new products to meet the needs of our clients and entrench our foothold in the market."

May the company elaborate on the above statement? What are the new products we are or will be producing for our clients? Are there new orders secured for the products?

Company's Response

The new product is still in the negotiation stage with our customers and is therefore confidential. The Company will continue to keep shareholders updated on material developments relating to the Company as and when appropriate in accordance with regulatory requirements.

Question 5

Refer to Page 7, "we remain focused on ensuring ongoing projects are completed smoothly and on optimising our manufacturing operations in Malaysia"

i. What is the current utilization rate for our plants and factories in Malaysia? What are the plans to further increase the utilization rate of these factories?

Company's Response

All of our plants and factories in Malaysia are operating at full capacity with the exception of periods when the MCO/ quarantines apply.

"Group expects its core aluminium industrial product business to continue to be impacted. For the Group's building product business, higher operating and manpower costs will add pressure to our profit margins. As such, the Group will stay flexible and adaptable, implementing appropriate cost controls to position the Group resiliently in the near-term."

ii. What are the challenges faced by our customers in the aluminium industrial product business? Is there a substantial reduction in order from the manufacturing of frames for refrigeration containers? Are there any improvements in the outlook for the core aluminium industrial product business? Is your company experiencing a boost of business from your major customer which involves the refrigeration container business due to increase in demand for shipping of perishable goods and vaccines amid the COVID-19 pandemic?

Company's Response

The biggest challenge we face is to ensure good management of daily operations under strict safe management measures. This is to protect the health of our employees and to ensure that goods are delivered to customers on time.

There was no substantial reduction in order from manufacturing of frames for refrigeration containers.

We expect the outlook for the core aluminium industrial product business to improve in the next financial year.

We are unable to provide information about our customer's business.

iii. What is the cost controls measures the company is or will be implementing to lower the operation cost in the near-term?

Company's Response

The Company has always been very prudent in cost management. The COVID-19 support measures of the Singapore Government will help to defray some of the increase in operating costs. We are focused on optimising our cost structure and improving productivity. The Company continues to monitor closely and adjust the strategy and operations dynamically to mitigate the effects of the COVID-19 pandemic.

Question 6

Refer to page 15, Financial highlights, the revenue of the company has been decreasing from S\$156.8 million to S\$118.6 million and the PBT decreased from S\$15.7 million to S\$7.8 million for the past 3 years. The computed ROE for the past 3 years was between 8.52% to 4.35%.

i. With the CAPEX expansions of purchasing new properties, plants and equipment in Malaysia and Singapore for the past 7 to 8 years, what are the growth plans for the company to turn around the stagnant and decreasing revenue trends and PBT?

Company's Response

Based on the existing orders, we originally expected financial performance for financial year ended 30 September 2020 to improve over the prior year's performance. However, the COVID-19 pandemic resulted in delay in deliveries and installation work and impacted our operational efficiency. These delays meant postponement of revenue while certain fixed cost continue to run.

ii. In order for new and existing shareholders to better understand the performance of the company would the company consider provide more financial data such as EPS, ROE, DPS/Dividend yield, NTA for the past 5 years instead of limited to 3 years with Revenue and PBT?

Company's Response

The Management has taken note of the suggestion and can provide data computed from the financial statements for the convenience of shareholder in future annual reports.

iii. What is the budgeted CAPEX for FY2021? How is this CAPEX allocated among different business segments?

Company's Response

We allocated a budget of S\$23 million (including of S\$18.5 million for the premises we have acquired) for additions and alteration work on parts of the existing production building and the construction of a new office building.

We remain mindful about balancing funding needs, for expansion to pursue longer term growth strategies, with near term cash conservation. We will postpone non-critical capital expenditure to conserve cash flow. As at 30 September 2020, the Company has a healthy balance sheet with cash and fixed deposits of S\$19.58 million. Should the pandemic persist for an extended period, we are able to tap into our banking facilities to meet our short-term needs.

Question 7

Refer to Note 38, Segment information at page 112, Other segments which include glasses and shower screens for building construction projects, the revenue drop from S\$1.27 million to S\$1.06 million and segments result of loss of S\$432,000 increase to S\$2.2 million.

i. May the board kindly explain what is the cause of worsening in performance of the "Others" segment? Are we expecting another loss for this segment in the coming FY? Are there new orders secured by this segment? What is the plan for the company to turn this segment around?

In addition to "others" segments, the other 2 segments that are "Mild Steel" and "Stainless Steel" also increased in their losses in FY2020 to S\$3.45 million and S\$600,000.

ii. Are we expecting further losses to "Mild Steel" and "Stainless Steel" segments in the coming financial year? When are we expecting these segments to return to profitability? What does the company plan to do to turn these segments around?

Company's Response

The COVID-19 pandemic had a profound impact on all the business segments as operations and supply chains either ground to a halt or operated suboptimally due to restrictions during various forms of Movement Control Orders in Malaysia starting from March 2020 and the Circuit Breaker in Singapore from April to June 2020. Fixed costs were incurred during periods of production curtailment or restrictions on installation at customers' premises.

The Company will continue to face uncertainty in the near-term as the COVID-19 pandemic evolves. Nonetheless, management is exploring various strategies to bolster the Company's financial performance through cost rationalisation measures, improvement of overall competitiveness and bringing in more sales orders.

Question 8

Will the management consider ways of narrowing the NAV vs share price which stands at 45%?

Company's Response

Share price is largely determined in the marketplace by investors based on demand and supply.

This year, Nam Lee bought back 1,687,700 number of shares with a total value of \$532,000. The share buyback exercise demonstrated to shareholders the board's confidence in the long term fundamentals of Nam Lee.

The Board and management will continue to work towards maximising the financial performance of the Company which in turn improves shareholders' value.

Question 9

Could the board provide some updates on the status of the contract renewal with the major customer?

Company's Response

The new contract with the major customer has been renewed.

Question 10

How much has the refrigerated container volumes in the overall industry grown or declined in 2020? What contributed to this?

Company's Response

This information is considered by our customer to be commercially sensitive and we are not in a position to either independently establish or provide such information.

Question 11

Can you update on the search for a new CFO? What contributed to the short tenure of the previous CFO and how would you address this for the next CFO?

Company's Response

The Company is in the process of searching a replacement for the position of CFO or equivalent. An announcement will be made when a suitable candidate is appointed. As announced on 18 November 2020, the former CFO had resigned to pursue his personal interests and goals.

BY ORDER OF THE BOARD

Eric Yong Han Keong
Managing Director
Date: 21 January 2021