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

RESPONSES TO QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2024

Nam Lee Pressed Metal Industries Limited (the "Company", together with its subsidiaries, the "Group") wishes to provide the following information in response to the questions received from Securities Investors Association (Singapore) ("SIAS") in respect of the Annual Report FY2024:

Question 1

Q1. The group reported a 13.4% increase in revenue, from $158.9 million in FY2023 to $180.3 million in FY2024. This growth was attributed to higher revenue from reefer containers, offset by weakness in construction-related (mild steel) business.

Revenue in the aluminium segment amounted to $117.1 million, of which $94 million was attributed to the group's major customer.

(i) Could management provide insights into the recovery trajectory of the refrigerated container segment? How does the board/management define the "new normal" for this business post-pandemic?

Company's Response

For FY2023, orders for reefer containers were approximately 40% of pre-pandemic levels. Orders increased to slightly over 80% of the pre-pandemic levels for FY2024. Moving forward, we believe the "new normal" will see orders gradually returning to pre-pandemic numbers.

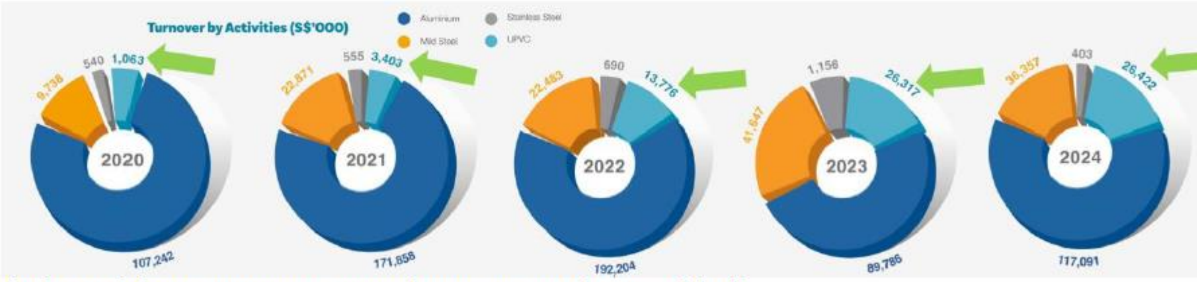
The last contract with the major customer was renewed in January 2020, for a period of 5 years.

(ii) What is the status of the group's discussions regarding the renewal of the contract with its major customer? What measure is the company taking to maintain its position as the only worldwide third-party manufacturer of aluminium frames for container refrigeration units for the major customer?

Company's Response

With regards to contract renewal, discussions are still ongoing. Based on past experience, these discussions may well continue beyond expiry of the current 5-year contract term. To maintain its competitive edge, Nam Lee always strives to be the best in service, delivers quality products on a timely basis, and always offers competitive sourcing/pricing in order to be an excellent partner to all our significant customers.

Separately, the unplasticised polyvinyl chloride (UPVC) segment has shown remarkable growth, increasing from $1.1 million in FY2020 to $26.4 million in FY2024.



(Adapted from company annual report; emphasis added)

(iii) What is the group's unique value proposition in the UPVC segment? Could management elaborate on the current market share and the initiatives underway to sustain the impressive growth trajectory?

Company's Response

We are a key player in the UPVC segment. This business is very competitive and due to market sensitivities, we are unable to disclose our current market share or our strategic plans for the UPVC segment.

Question 2

Q2. As disclosed in Note 6 (Interest income/finance costs; page 90), the group incurred finance costs of $2.13 million in FY2024, with $1.38 million attributable to interest incurred on trust receipts.

As at 30 September 2024, the group had $24.9 million in trust receipts denominated in United States dollar and Singapore dollar. These receipts carried an effective interest rate of 4.79% to 7.83% per annum.

(i) What specific operational or risk management benefit does the group derive from using trust receipts?

Company's Response

The Group uses trust receipts to finance its purchases as part of the Group's overall working capital plans.

(ii) Given the innovations in fintech solutions, has the group explored leveraging digital trade ecosystems or blockchain-based solutions to reduce financing costs and improve operational transparency?

Company's Response

No, the Group has not explored this option so far. However, we may explore these options in the near future.

Question 3

Q3. According to the SGX Stock Screener, the company trades at a price-to-book value of 0.5 times and has a 5-year average dividend yield of 3.32%. The price-to-earnings ratio is 6.8 times. The company has an enterprise value of $93.5 million and a market capitalisation of $83.5 million.

While the share price has recovered from its low of 24 cents in August 2024, it remains below pre-COVID levels.

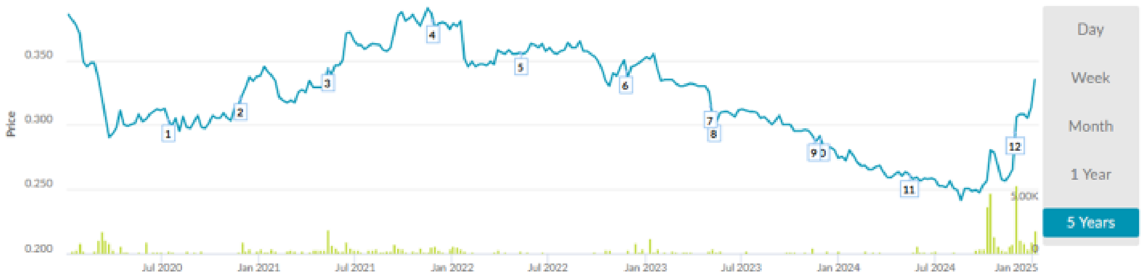
Nam Lee Metal (G0I) 0.340 -0.005 (-1.449%) Print

Industry: Industrials, Metal Fabrication

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

Prices & Chart | Company Information | Financial Statements | Company Announcements | GTI



Overview | Valuation | Financials | Dividends | Ownership

Price/Book Value	0.497	Enterprise Value	93.51M
Price/Sales	0.463	Price/CF	75.188
Dividend Yield	0.72	P/E Ratio	6.82
Dividend Yield 5-yr avg	3.320	Net Debt	-
5 Years PE Ratio	-		

(Source: https://investors.sgx.com/securities/stocks?security=G0I)

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

(i) Could the board, particularly the independent directors, explain the company's efforts to increase corporate value and improve capital efficiency?

(ii) Beyond attributing the company's low valuation to external market factors, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?

Company's Response

It has always been the Board of Directors aim and much ongoing efforts have been made to increase corporate value and capital efficiency. Some of the measures undertaken include:

a) Improving transparency. In particular, ensuring that we disclose financial information (like earnings breakdowns) that are useful to the public yet not compromising on the Group's business sensitivities and to communicate pertinent information on a timely basis.

b) Improving returns on equity. The Board has continuously improved our capital efficiency by identifying new business opportunities. For example, the UPVC segment. This particular market segment has improved revenue and increased our return on investments.

c) The Board is also looking to manage costs more efficiently through all avenues so as to maximize returns.

With these efforts, we have seen an increase in revenues and profits that should create more value for shareholders.

BY ORDER OF THE BOARD

Eric Yong Han Keong
Managing Director
Date: 17 January 2025