



NAM LEE PRESSED METAL INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197500362M)

Directors:

Yong Koon Chin
Yong Kin Sen
Yong Poon Miew
Khoo Ho Tong
Chidambaram Chandrasegar
Tan Soo Kiat

Designation:

Chairman & Executive Director
Managing Director (Executive)
Executive Director
Independent Director
Independent Director
Independent Director

Registered Office:

21 Sungei Kadut
Street 4
Singapore 729048

Date: 11 January 2018

To: The Shareholders of
Nam Lee Pressed Metal Industries Limited

Dear Sir/Madam,

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

All capitalized terms herein shall bear the meanings ascribed to them in the Schedule titled "Definitions" to this Letter.

1. INTRODUCTION

The Directors wish to refer Shareholders to (a) the Notice of AGM convening the 2018 AGM and (b) Ordinary Resolution 10 in relation to the proposed renewal of the Mandate of the Company.

The sole purpose of this Letter is to provide Shareholders with information relating to the abovementioned proposal to be tabled at the 2018 AGM and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

2. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background and Rationale for the Mandate

Any purchase or acquisition of Shares by the Company will have to be made in accordance with, and in the manner prescribed by, the Act, the Constitution, the rules of the Listing Manual, and such other laws and regulations as may, for the time being, be applicable.

Shareholders had approved the Mandate at the AGM held on 26 January 2017.

By way of renewal of the Mandate, the Board seeks approval to make purchases from time to time, in the aggregate, of up to 10% of the issued share capital of the Company as at the date of the 2018 AGM, at Share prices of up to but not exceeding the Maximum Price.

If approved, the Mandate will take effect from the date of the 2018 AGM and continue in force until the date of the next AGM or such date as the next AGM is required by law to be held, unless prior thereto, the share repurchase is carried out to the full extent mandated or the Mandate is varied or revoked by resolution of the Shareholders in a general meeting. The Mandate may be put to Shareholders for renewal at each subsequent AGM of the Company.

The proposed Mandate will give the Directors the flexibility to purchase the Shares if and when circumstances permit. The Directors believe that share buybacks provide the Company and its Directors with a mechanism to facilitate the return to Shareholders of surplus cash over and above the Company's ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise flexibility and control over the Company's capital structure, dividend payout and cash reserves and to enhance the EPS.

The Directors will only undertake buy back of Shares in circumstances which the Directors believe would benefit the Company and its Shareholders, taking into account factors such as prevailing market conditions and the availability of surplus cash.

Shareholders should note that purchases or acquisitions of Shares pursuant to the proposed Mandate would only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position, liquidity or listing status of the Company and the Group.

2.2 Authority and Limits of the Mandate

The authority and limitations placed on the purchases or acquisitions of Shares by the Company pursuant to the Mandate, are substantially the same as that previously approved by Shareholders, and for the benefit of Shareholders are summarised below:-

(a) Maximum Number of Shares

Only Shares which are issued and fully paid may be purchased or acquired by the Company.

The total number of Shares which may be purchased or acquired by the Company pursuant to the Mandate is limited to that number of Shares representing not more than 10% of the issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the forthcoming 2018 AGM (or any adjournments thereof) at which the Mandate is approved.

As an illustration, based on the Company's 242,244,082 Shares issued as at the Latest Practicable Date, and assuming that no further Shares are issued, and no Shares are held by the Company as treasury shares, on or prior to the 2018 AGM, not more than 24,224,408 Shares (representing not more than 10% of the issued ordinary shares of the Company as at that date) may be bought by the Company pursuant to the proposed Mandate. As at the Latest Practicable Date, the Company has no treasury shares and no subsidiary holdings.

(b) Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on or from the date of the 2018 AGM at which the Mandate is approved up to, the earliest of:-

- (i) the date on which the next AGM of the Company is held or required by law to be held;
- (ii) the date on which the authority conferred by the Mandate is revoked or varied by the Company in general meeting, whichever is the earlier; or
- (iii) the date on which the share buyback is fulfilled up to the full extent of the Mandate.

(c) Manner of Purchase or Acquisition of Shares

The Shares may be purchased or acquired by way of:–

- (i) an on-market share acquisition (the “**On-Market Purchase**”) transacted on the SGX-ST trading system, through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
- (ii) an off-market share acquisition (the “**Off-Market Purchase**”) pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise be in accordance with all other laws, the Listing Manual and other regulations and rules of the SGX-ST.

(d) Information on Off-Market Purchases

As prescribed by the Companies Act, an equal access scheme must satisfy all the following conditions:–

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds issued Shares, to purchase or acquire the same percentage of their issued Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers must be the same, except that there shall be disregarded:-
 - (A) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (B) if applicable, differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual requires that in the making of an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:–

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed share buyback;
- (iv) the consequences, if any, of share buybacks by the Company that will arise under the Takeover Code or other applicable takeover rules;
- (v) whether the share buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (vi) details of any share buyback made by the Company in the previous 12 months (whether On-Market Purchases or Off-Market Purchases), specifying the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(e) Maximum Price to be Paid for the Shares

The Directors may determine the purchase price to be paid per Share for any Share buybacks. However the price paid per Share shall be subject to a Maximum Price, which shall be a price which does not exceed 5% above the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant 5-day period (the “Maximum Price”).

The Maximum Price shall apply to both On-Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses.

2.3 Status of Purchased Shares

The Shares purchased by the Company may be held in treasury as treasury shares. Upon the purchase of the treasury shares, the Company will be registered as a member in respect of the treasury shares but will not have the right to attend or vote at meetings or receive dividends in respect to them. The Companies Act currently restricts the maximum permitted holding, as treasury shares, of the number of Shares of the relevant class of shares to 10%. Any treasury share which exceeds this must either be disposed of or cancelled within 6 months after the limit is first exceeded.

Disposal options (exercisable at any time) available to the Company holding treasury shares are as follows:-

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employee’s share scheme;
- (c) transfer the treasury shares (or any of them) as consideration for acquisitions of shares or other assets;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister of Finance may by order prescribe.

Under Rule 704(28) of the Listing Manual, the Company must make an immediate announcement if there is any sale, transfer, cancellation and/or use of treasury shares. Such announcement must state the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

Pursuant to the Companies Act, Shares bought back by the Company, unless kept as treasury shares, are cancelled immediately on purchase or acquisition. All rights and privileges attached to the purchased Shares shall expire upon cancellation.

2.4 Source of Funds

In buying back Shares, the Company shall only apply funds legally available in accordance with its Constitution, and the applicable laws in Singapore.

The Company may not buy back its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST respectively.

The Companies Act provides that purchases and acquisitions of Shares may be made out of the Company's capital or profits so long as the Company is solvent. For this purpose, the Company is "solvent" if:-

- (a) there is no ground on which the company could be found unable to pay its debts;
- (b) if:-
 - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

The Company intends to use its internal funds, external borrowings or a combination of internal funds and external borrowings to undertake share buybacks.

2.5 Financial Impact

Pursuant to the Companies Act, Shares bought back by the Company, unless kept as treasury shares, are cancelled immediately on purchase or acquisition. All rights and privileges attached to the purchased Shares shall expire upon cancellation.

Where the consideration paid by the Company for the purchase or acquisition of the Shares (excluding related brokerage, goods and services tax, stamp duties and clearance fees) is paid for using:-

- (a) the Company's capital, it will correspondingly reduce the share capital of the Company but the amount available for distribution of dividends by the Company will not be reduced; or
- (b) the Company's profits, it will correspondingly reduce the amount available for distribution of dividends by the Company,

the net tangible assets of the Company and the consolidated net tangible assets of the Group will be reduced by the dollar value of the Shares bought. The Directors believe that even if the Company exercises the Mandate in full and acquires up to 24,224,408 Shares, it will not have any material impact on the earnings of the Company and the consolidated earnings of the Group for the current financial year.

For illustrative purposes only, assuming the Company had exercised the Mandate in full and purchased 24,224,408 Shares at the Maximum Price of S\$0.4200 for each Share (based on the average of the last dealt prices of the Shares for the 5 Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), based on the issued share capital of 242,244,082 Shares issued and assuming that no further Shares are issued and

no Shares are held by the Company as treasury shares, the financial effects of the purchase or acquisition of the Shares by the Company pursuant to the Mandate by way of purchases made:-

- (a) entirely out of capital and held as treasury shares;
- (b) entirely out of profits and held as treasury shares;
- (c) entirely out of capital and cancelled; and
- (d) entirely out of profits and cancelled,

based on the latest audited financial statements of the Company for FY2017 are set out below:-

2.5.1 Purchases or Acquisitions Made Entirely out of Capital and Held as Treasury Shares

	Company		Group	
	As at FY2017 S\$'000	After share buyback S\$'000	As at FY2017 S\$'000	After share buyback S\$'000
Share Capital	57,018	57,018	57,018	57,018
Reserves	326	326	(6,743)	(6,743)
Accumulated profits	37,227	37,227	82,803	82,803
	94,571	94,571	133,078	133,078
Minority Interests	–	–	870	870
Treasury shares	–	(10,174)	–	(10,174)
Total Equity	94,571	84,397	133,948	123,774
Net Tangible Assets	94,571	84,397	133,078	122,904
Current Assets	84,138	73,964	119,083	108,909
Current Liabilities	16,017	16,017	25,333	25,333
Working capital	68,121	57,947	93,750	83,576
Total liabilities	17,773	17,773	28,504	28,504
Total number of Shares ('000)	242,044	217,820	242,044	217,820
Net Tangible Assets per Share (Cents)	39.07	38.75	54.98	56.42
Gross gearing ratio (%)	2.98	3.34	2.12	2.30
Working Capital Ratio	5.25	4.62	4.70	4.30
Earnings per Share (Cents)	4.391	4.881	4.240	4.713

2.5.2 Purchases or Acquisitions Made Entirely out of Profits and Held as Treasury Shares

	Company		Group	
	As at FY2017 S\$'000	After share buyback S\$'000	As at FY2017 S\$'000	After share buyback S\$'000
Share Capital	57,018	57,018	57,018	57,018
Reserves	326	326	(6,743)	(6,743)
Accumulated profits	37,227	37,227	82,803	82,803
	94,571	94,571	133,078	133,078
Minority Interests	–	–	870	870
Treasury shares	–	(10,174)	–	(10,174)
Total Equity	94,571	84,397	133,948	123,774
Net Tangible Assets	94,571	84,397	133,078	122,904
Current Assets	84,138	73,964	119,083	108,909
Current Liabilities	16,017	16,017	25,333	25,333
Working capital	68,121	57,947	93,750	83,576
Total liabilities	17,773	17,773	28,504	28,504
Total number of Shares (‘000)	242,044	217,820	242,044	217,820
Net Tangible Assets per Share (Cents)	39.07	38.75	54.98	56.42
Gross gearing ratio (%)	2.98	3.34	2.12	2.30
Working Capital Ratio	5.25	4.62	4.70	4.30
Earnings per Share (Cents)	4.391	4.881	4.240	4.713

2.5.3 Purchases or Acquisitions Made Entirely out of Capital and Cancelled

	Company		Group	
	As at FY2017 S\$'000	After share buyback S\$'000	As at FY2017 S\$'000	After share buyback S\$'000
Share Capital	57,018	46,844	57,018	46,844
Reserves	326	326	(6,743)	(6,743)
Accumulated profits	37,227	37,227	82,803	82,803
	94,571	84,397	133,078	122,904
Minority Interests	–	–	870	870
Treasury shares	–	–	–	–
Total Equity	94,571	84,397	133,948	123,774
Net Tangible Assets	94,571	84,397	133,078	122,904
Current Assets	84,138	73,964	119,083	108,909
Current Liabilities	16,017	16,017	25,333	25,333
Working capital	68,121	57,947	93,750	83,576
Total liabilities	17,773	17,773	28,504	28,504
Total number of Shares ('000)	242,044	217,820	242,044	217,820
Net Tangible Assets per Share (Cents)	39.07	38.75	54.98	56.42
Gross gearing ratio (%)	2.98	3.34	2.12	2.30
Working Capital Ratio	5.25	4.62	4.70	4.30
Earnings per Share (Cents)	4.391	4.881	4.240	4.713

2.5.4 Purchases or Acquisitions Made Entirely out of Profits and Cancelled

	Company		Group	
	As at FY2017 S\$'000	After share buyback S\$'000	As at FY2017 S\$'000	After share buyback S\$'000
Share Capital	57,018	57,018	57,018	57,018
Reserves	326	326	(6,743)	(6,743)
Accumulated profits	37,227	27,053	82,803	72,629
	94,571	84,397	133,078	122,904
Minority Interests	–	–	870	870
Treasury shares	–	–	–	–
Total Equity	94,571	84,397	133,948	123,774
Net Tangible Assets	94,571	84,397	133,078	122,904
Current Assets	84,138	73,964	119,083	108,909
Current Liabilities	16,017	16,017	25,333	25,333
Working capital	68,121	57,947	93,750	83,576
Total liabilities	17,773	17,773	28,504	28,504
Total number of Shares (‘000)	242,044	217,820	242,044	217,820
Net Tangible Assets per Share (Cents)	39.07	38.75	54.98	56.42
Gross gearing ratio (%)	2.98	3.34	2.12	2.30
Working Capital Ratio	5.25	4.62	4.70	4.30
Earnings per Share (Cents)	4.391	4.881	4.240	4.713

The financial impact is the same whether the Shares are purchased via On-Market Purchases or Off-Market Purchases. The Group had a balance of S\$43,600,000 in cash as at 30 September 2017. Assuming the buy back of up to 24,224,408 Shares at the Maximum Price of S\$0.4200 per Share, the Company’s cash reserves would be reduced by S\$10,174,251 and, all other things remaining the same, the working capital and net tangible assets of the Group and the Company would be reduced by the dollar value of the Shares purchased. The consolidated net tangible assets value per share after the buy back of 24,224,408 Shares would be increased to S\$0.5642.

As illustrated in the tables above, the purchase of the Shares would reduce the current assets and shareholders’ funds of the Group and the Company accordingly. This would result in an increase in the debt equity ratio of the Company and the Group. The consolidated EPS as a result of the buy back of 24,224,408 Shares would be increased from 4.240 cents to 4.713 cents.

The actual impact on the debt equity and working capital ratio of the Company would depend on the number of Shares purchased and the price or prices at which the Shares are purchased. The Directors do not propose to exercise the Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company.

The acquisition and purchase of Shares will only be effected after considering relevant factors such as the working capital requirements, availability of surplus cash and other financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Mandate will be exercised with a view to enhancing the EPS of the Group.

Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Company and the Group as at 30 September 2017, and are not representative of the Group's future financial performance.

Although the Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back all 10% of the issued Shares in full.

In particular, the maximum number of Shares that the Company may purchase under the Act is limited by the solvency requirements set out in the Act, as described in section 2.4 of this Letter.

2.6 Taxation

Shareholders are advised to obtain independent professional advice if they are uncertain about the impact of share buybacks on their overall tax position, whether in Singapore or in other jurisdictions in the world.

2.7 Reporting Requirements

The Companies Act and the Listing Manual require the Company to make the following reports in relation to the Mandate:—

- (a) To lodge a copy of the Shareholders' resolution approving the Mandate with ACRA within 30 days of the passing of such resolution;
- (b) To notify ACRA of an acquisition or purchase of Shares on the SGX-ST or otherwise within 30 days. Such notification shall be in the prescribed form and shall include:-
 - (i) the date of the acquisition or purchase;
 - (ii) the total number of Shares acquired or purchased;
 - (iii) the number of Shares cancelled;
 - (iv) the number of Shares held as treasury shares;
 - (v) the Company's issued share capital before the acquisition or purchase and after such acquisition or purchase;
 - (vi) the amount of consideration paid by the Company for the acquisition or purchase;
 - (vii) whether the Shares were purchased or acquired out of the profits or the capital of the Company; and
 - (viii) such other information as required under the Companies Act.

- (c) Pursuant to the Listing Manual, to report purchases of Shares to the SGX-ST in the forms prescribed which shall include details including, inter alia, the date of purchase, the price paid and the total number of Shares purchased, and to make an announcement to the public:-
- (i) in the case of On-Market Purchases, not later than 9.00 a.m. on the Market Day following any day on which the Company makes a On-Market Purchase; and
 - (ii) in the case of Off-Market Purchases, not later than 9.00 a.m. on the second Market Day following the close of acceptance of offers made by the Company.

2.8 Suspension of buy back of Shares

As the Company would be considered an “insider” in relation to any buy back of Shares, the Company will not buy Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any of its Shares during the period commencing two (2) weeks before the announcement of the Company’s financial results for each of the first three quarters of its financial year and one (1) month before the announcement of the Company’s full year financial results.

2.9 Listing Status on SGX-ST

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As defined in the Listing Manual, the “public” refers to persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there are 98,199,180 Shares held in the hands of the public (as defined above), representing 40.54% of the issued share capital of the Company. Assuming the Company exercises the Mandate in full and purchases the maximum of 10% of its issued share capital from such public Shareholders, the number of Shares in the hands of the public would be reduced to 73,974,772 Shares, representing 33.93% of the issued share capital of the Company.

Accordingly, as at the Latest Practicable Date, the Company is of the opinion that there is a sufficient number of issued Shares held by public Shareholders which would permit the Company to undertake purchases and acquisitions of its Shares up to the full 10% limit pursuant to the Mandate without adversely affecting the listing status of the Shares on SGX-ST, causing market illiquidity, or adversely affecting the orderly trading of Shares.

The Directors will use their best efforts to ensure that purchase of Shares would not result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company.

2.10 Takeover Implications under the Takeover Code

Pursuant to Appendix 2 of the Takeover Code, an increase of a Shareholder’s proportionate interest in the voting rights of the Company resulting from a share buyback by the Company will be treated as an acquisition for the purposes of Rule 14 of the Takeover Code (“**Rule 14**”).

Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company’s voting rights, increase their voting rights in the Company by more than 1% in any period of 6 months.

Persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company to obtain or consolidate effective control of that company. Unless the

contrary is established, the following individuals and companies will be presumed to be acting in concert with each other:-

- (a) the following companies:-
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:-
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
 - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, ownership or control of 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

Consequently, a Director and persons acting in concert (as such term is defined in the Takeover Code) with him could, depending on the level of increase in his or their interest in the Company, become obliged to make a mandatory offer in accordance with Rule 14 as a result of the Company's buy back of Shares.

Unless exempted, Directors and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 of the Takeover Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by 1% in any period of 6 months.

Based on the shareholdings of the Directors and the substantial Shareholders in the Company as at the Latest Practicable Date, none of the Directors nor the substantial Shareholders will become obligated to make a mandatory offer by reason only of the buyback of 24,224,408 Shares by the Company pursuant to the Mandate.

The Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to buy back Shares pursuant to the Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Takeover Code as a result of share buybacks by the Company are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a takeover offer under Rule 14 of the Takeover Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Takeover Code.

2.11 Buy back of Shares Under Existing Mandate

Under the existing Mandate as approved at the AGM of the Company held on 26 January 2017, the Shareholders authorized the purchase of up to 24,129,408 Shares. No Shares have been bought back by the Company under the existing Mandate since approval of the existing Mandate up to the Latest Practicable Date.

2.12 Limits on Shareholdings

The Company does not have any limits on the shareholding of any Shareholder.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the substantial Shareholders of the Company (that is, persons whose direct and indirect interests in the Company's issued share capital are equal to or more than 5%) are as follows:—

	<i>Direct Interest</i>		<i>Deemed Interest</i>		<i>Total Interest</i>	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors						
Yong Kin Sen ⁽¹⁾	48,204,412	19.90	9,582	0.00	48,213,994	19.90
Yong Poon Miew	47,373,181	19.56	—	—	47,373,181	19.56
Yong Koon Chin	47,081,502	19.44	—	—	47,081,502	19.44

Note:

(1) Mr Yong Kin Sen is deemed to be interested in shares held by his spouse.

4. DIRECTORS' RECOMMENDATION

Having fully considered the rationale, the benefit and the information relating to the proposed renewal of the Mandate, the Directors are of the opinion that the proposed renewal of the Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 10 in respect of the proposed renewal of the Mandate to be proposed at the 2018 AGM.

5. ANNUAL GENERAL MEETING

The 2018 AGM, notice of which is set out on pages 109 to 112 of the Annual Report, will be held at Orchid Country Club, Sapphire Suite, Social Clubhouse, No. 1 Orchid Club Road, Singapore 769162 on 26 January 2018 at 9.30 a.m. for the purpose of, *inter alia*, considering and, if thought fit, passing, with or without any modifications, Ordinary Resolution 10 on the renewal of the Mandate as set out in the Notice of AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Mandate, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

7. INSPECTION OF DOCUMENTS

The following documents may be inspected at the registered office of the Company during normal business hours from the date of this Letter up to and including the date of the 2018 AGM:-

- (a) the Constitution; and
- (b) the Annual Report of the Company for FY2017.

Yours faithfully
For and on behalf of the Board of Directors
Nam Lee Pressed Metal Industries Limited

Yong Kin Sen
Managing Director

SCHEDULE – DEFINITIONS

In this Letter, the following definitions apply throughout unless otherwise stated:

“ACRA”	: The Accounting and Regulatory Authority of Singapore
“Act” or “Companies Act”	: The Companies Act of Singapore, Chapter 50, as amended or modified from time to time
“AGM”	: Annual General Meeting of the Company
“Annual Report”	: The Annual Report of the Company for the financial year ended 30 September 2017
“Board”	: The Board of Directors of the Company
“CDP”	: The Central Depository (Pte) Limited
“Company”	: Nam Lee Pressed Metal Industries Limited
“Constitution”	: The Constitution of the Company
“Director”	: A person holding office as a director for the time being of the Company
“EPS”	: Earnings Per Share
“FY” or “Financial Year”	: The financial year ended or ending 30 September for the Company
“Group”	: The Company and its subsidiaries and “Group Company” shall mean any one of the companies in the Group
“Latest Practicable Date”	: The latest practicable date prior to the printing of this Letter, being 4 January 2018
“Letter”	: This letter dated 11 January 2018 to the Shareholders
“Listing Manual”	: The listing manual of the SGX-ST
“Mandate”	: The general mandate to authorise the Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares as set out in paragraph 2 of this Letter
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Maximum Price”	: A price which does not exceed 5% above the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant 5-day period
“Notice of AGM”	: The notice of AGM, set out on pages 109 to 112 of the Annual Report

“Off-Market Purchase”	: An off-market share acquisition pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise be in accordance with all other laws, the Listing Manual and other regulations and rules of the SGX-ST
“On-Market Purchase”	: An on-market share acquisition transacted on the SGX-ST trading system, through one or more duly licensed stockbrokers appointed by the Company for such purpose
“Ordinary Resolution 10”	: Ordinary resolution number 10 as set out in the Notice of AGM
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share(s)”	: Ordinary share(s) in the capital of the Company
“Shareholder(s)”	: Registered holder(s) of Shares or in the case of depositors, depositors who have shares entered against their names in the Depository Register
“SIC”	: Securities Industry Council
“Takeover Code”	: The Singapore Code on Take-overs and Mergers
“S\$”, “\$” and “cents”	: Singapore dollars and cents respectively, being the lawful currency of Singapore
“2018 AGM”	: The annual general meeting of the Company to be held on 26 January 2018, notice of which is set out on pages 109 to 112 of the Annual Report
“%” or “per cent”	: Percentage or per centum

The terms depositor, depository agent and Depository Register shall have the respective meanings ascribed to them in the Securities and Futures Act (Chapter 289).

Words importing the singular, shall where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

Any reference to a time of day in this Letter shall be a reference to Singapore time.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act used in this Letter shall have the meaning assigned to it under the Companies Act.

The total of the figures listed in certain tables included in this Letter may not be the same as the arithmetic sum of the figures. Any such discrepancies are due to rounding.