

**Issuer:** Nam Lee Pressed Metal Industries Limited

**Security:** Nam Lee Pressed Metal Industries Limited

**Meeting details:**

Date: 26 January 2017

Time: 09:30H

Venue: Emerald Suite, Golf Clubhouse Level 2, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162

**Company Description**

Nam Lee Pressed Metal Industries Limited, together with its subsidiaries, designs, fabricates, supplies, and installs steel and aluminum products in Singapore and Malaysia. It operates through four segments: Aluminium, Mild Steel, Stainless Steel, and Others. The company's steel and aluminum products comprise gates, door frames, staircase nosing and hand-railings, laundry racks, letter boxes, sliding windows and doors, and curtain walls for flats and houses. It also offers aluminum NT mainframes for container refrigeration units, grilles, drying racks, hoppers, and other metal and steel-based products. In addition, the company is involved in the fabrication, installation, and supply of building materials and products; and manufacture and distribution of decoration materials, as well as offers glasses and shower screens for building construction projects. It serves the customers in various industries, including building, shipping container, infrastructure, etc. The company was incorporated in 1975 and is headquartered in Singapore. Nam Lee Pressed Metal Industries Limited is a subsidiary of Nam Lee Holdings Pte Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=G0I](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=G0I))

**Q1.** The group now has production facilities in Singapore and in Malaysia (Tampoi, Pekan Nanas, Gelang Patah and Senai). Total non-current assets has increased from \$29.4 million in 2014 to \$36.7 million (Segment information - page 97), following the acquisition of a new headquarters-cum-main production base in Singapore at Sungei Kadut and of a new factory building in Tampoi, Johor Bahru, Malaysia.

In the Chairman's Statement, it was disclosed that the group's initiatives to control the cost of sales included "improvements to factory work-flow post-consolidation at the new headquarters-cum-main production base in Singapore and regional plants".

- a) **Can the board inform shareholders if the new factory at Tampoi and the new factory in Sungei Kadut are fully operational?**
- b) **How much more cost efficient are the new plants?**
- c) **What are the utilisation rates at the group's plants?**
- d) **Would there be opportunities to further streamline the group's manufacturing bases to improve efficiency?**

**Q2.** In Note 39 (Segment information – page 95), it is shown that the "Aluminum segment" consists of "Aluminum products on building construction and other industrial uses, such as: curtain walls, cladding windows and container refrigeration units".

In the past three years, revenue for the segment was \$111.0 million in 2014, \$141.1 million in 2015 and \$106.9 million in 2016. The segment results were \$4.4 million in 2014, \$15.5 million in 2015 and \$12.7 million in 2016.

The Chairman has mentioned that the volume of orders for 2016 was "reduced, reflecting the market slowdown in certain business segments and a different sales revenue mix for FY2016."

- a) **Could the company elaborate further on the performance and the outlook for the different business segments for Aluminum products?**
- b) **What is the split between the sales from building products and the sales from industrial sector (mainly container refrigeration units)?**
- c) **Are there differences in the profit margins for the two aluminum products sub-segments?**
- d) **Has the group increased its value-add services to the major customer by providing assembly services as well? Would this lead to higher revenue and better margins?**

**Q3.** In Note 40 (Significant event – page 98), the group disclosed that they have appealed to the Malaysian tax authorities over the transfer pricing adjustments. It was also disclosed that:

*In second quarter of financial year 2016, both Malaysia subsidiaries received correspondences from the local tax authority for the revised transfer pricing adjustments and penalties totalling of Rm7.2 million (approximately \$2.4 million). Both the Malaysia subsidiaries had subsequently made the payment to the tax authority and had filed an appeal.*

*During September 2016, both the Malaysia subsidiaries, through its tax consultant, re-submitted appeal letters to the tax authority for reconsideration of their appeals.*

**a) Would the company help shareholders understand its current transfer pricing policy?**

It was disclosed that the subsidiaries had made the payment to the tax authority but it was also disclosed (on page 5) that “Other receivables, deposits and prepayments of S\$3.6 million as at 30 September 2016 included the Group’s instalment payments to-date to Malaysia tax authority.”

**b) Can the company confirm that the total of Rm7.2 million (approximately \$2.4 million) has been paid to the tax authorities?**

**c) Can the company reconcile the numbers for shareholders’ benefit? How are the payments to the tax authorities recorded in the financial statements?** In the Balance Sheet (page 34), the group has \$1.12 million in “Deposits”, \$1.59 million in “Other receivables” and \$0.88 million in “Prepayment”.