

Issuer: Nam Lee Pressed Metal Industries Limited

Security: Nam Lee Pressed Metal Industries Limited

Meeting details:

Date: 26 January 2018

Time: 9.30 a.m.

Venue: Orchid Country Club, Sapphire Suite, Social Clubhouse, 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, Malaysia, Hong Kong, and China. It operates through four segments: Aluminium, Mild Steel, Stainless Steel, and Others. The company's steel and aluminum products include gates, door frames, railings, laundry racks, letter boxes, sliding windows and doors, curtain walls, and cladding systems for building and infrastructure projects. It also manufactures and supplies aluminum industrial products for container refrigeration units. In addition, the company manufactures grilles, drying racks, hoppers, and other metal and steel based products. Further, it is involved in the fabrication, installation, and supply of building materials and products; and manufacture and sale of decoration materials. Additionally, the company offers glasses and shower screens for building construction projects; and mild steel products on pre-fabricated toilet projects. Nam Lee Pressed Metal Industries Limited was incorporated in 1975 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=G01)

Q1. In the Statement of Comprehensive Income for the period ended 30 September 2017 (dated 28 November 2017), the group reported a jump in “Other operating costs” to \$(5.5) million in FY2017, up from \$(1.1) million in Q3FY2017.

In the Chairman’s Statement, the increase in “Other operating costs” was said to be “*mainly due to the S\$4.1 million provision for a one-time product replacement cost for a prior-year building product project that was handed over to the main contractor in 2013*” (page 5 of the annual report).

- a) **Can the company elaborate further on this significant provision of \$(4.1) million made in the last quarter of the financial year?** For reference, the group’s after tax profit for FY2017 was \$10.1 million.
- b) **In particular, can the company specify the building product in question?**
- c) **Can the board/management confirm that this is an isolated case? Are there other projects/products that are being reviewed?**
- d) **What are the improvements made to the group’s operations/sourcing/quality control since this incident?**
- e) **Has the group started any recovery of costs from its supplier or insurer?**

Q2. In Note 39 (page 102 – Segment information), the aluminum segment is listed as one of the four reportable operating segments of the group. The segment consists of aluminum products on building construction and other industrial uses, such as curtain walls, cladding windows and container refrigeration units.

- a) **Can the company help shareholders understand how the group is organised within the aluminum segment? Specifically, is there a key executive/decision maker for aluminum products on building construction and another key executive/decision maker for the marine refrigerated containers?**
- b) Revenue from the aluminum segment accounts for 86% of the group’s total revenue. **Can the audit committee reconsider how the information in the segment reporting is presented so that users of the financial statements can understand the major sub-segments and the operations of the group better?**

Q3. All of the three independent directors of the company, namely Mr Khoo Ho Tong, Mr Chidambaram Chandrasegar and Mr Tan Soo Kiat, have each served on the Board beyond nine years.

Mr Khoo, Mr Chandrasegar and Mr Tan were first appointed to the board on 9th September 1999, 1st March 2005 and 9th June 2008 respectively. Mr Khoo, Mr Chandrasegar and Mr Tan have each served on the board for more than 18 years, 12 years and 9 years respectively.

Notwithstanding that the board is of the view that the long tenured directors remain independent following a rigorous review, Guideline 2.4 of the 2012 Code of Corporate Governance (Code) calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the company let shareholders know the near-term plans for the progressive refreshing of the board, given that all the independent directors have each served on the board beyond nine years?**
- b) **What is the search and nomination process for directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Nam%20Lee%20Pressed%20Metal%20Industries%20Ltd>

The company's response could be found here: -----