



NICO STEEL HOLDINGS LIMITED

UEN: 200104166D

SGX Stock Code: 5GF

Condensed Interim Financial Statements
For the six months ended 31 August 2021

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income for six months ended 31 August 2021 ("HY2022")

	Note	HY2022 USD'000	HY2021 USD'000	
Revenue	4	9,966	8,215	21%
Cost of sales		(8,100)	(6,301)	29%
Gross profit		1,866	1,914	(3%)
Interest income from banks	6	1	6	(83%)
Other income		58	100	(42%)
Distribution expenses		(221)	(208)	6%
Administrative expenses		(1,332)	(1,352)	(2%)
Other expenses		(15)	(41)	(63%)
Finance costs		(86)	(62)	39%
Profit before tax	6	271	357	(24%)
Tax expense	7	(115)	(63)	83%
Profit for the period		156	294	(47%)
Other comprehensive (loss)/income, net of tax				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Currency translation differences arising on consolidation		(75)	199	N.M.
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Currency translation differences arising on consolidation		-	(10)	N.M.
Other comprehensive (loss)/income for the period, net of tax		(75)	189	N.M.
Total comprehensive income for the period		81	483	(83%)

A. Condensed interim consolidated statement of profit or loss and other comprehensive income for six months ended 31 August 2021 ("HY2022") (cont'd)

	Note	HY2022 USD'000	HY2021 USD'000	
Profit/(loss) attributable to:				
Equity holders of the Company		159	260	(39%)
Non-controlling interests		(3)	34	N.M.
Profit for the financial year		156	294	(47%)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		84	459	(82%)
Non-controlling interests		(3)	24	N.M.
Total comprehensive income for the period		81	483	(83%)
Earnings per share for profit attributable to equity holders of the Company (cents per share)				
Basic and diluted		0.01	0.01	

N.M. – not meaningful

B. Condensed interim statements of financial position

		Group		Company	
		As at 31/08/2021 USD'000	As at 28/02/2021 USD'000	As at 31/08/2021 USD'000	As at 28/02/2021 USD'000
Note					
Non-current assets					
Property, plant and equipment	10	3,364	3,455	-	-
Intangible assets	9	2	2	-	-
Investment in subsidiaries		-	-	7,597	7,597
		<u>3,366</u>	<u>3,457</u>	<u>7,597</u>	<u>7,597</u>
Current assets					
Inventories		7,685	7,266	-	-
Trade and other receivables	11	5,679	6,160	3,236	3,771
Contract assets		842	650	-	-
Cash and cash equivalents		4,324	3,836	62	15
Tax recoverable		12	8	-	-
		<u>18,542</u>	<u>17,920</u>	<u>3,298</u>	<u>3,786</u>
Total assets		<u>21,908</u>	<u>21,377</u>	<u>10,895</u>	<u>11,383</u>
Equity					
Share capital	12	15,851	15,851	15,851	15,851
Reserves		(1,455)	(1,380)	-	-
Accumulated profits/(losses)		2,743	2,584	(5,102)	(4,742)
Equity attributable to equity holders of the Company, total		17,139	17,055	10,749	11,109
Non-controlling interests		(474)	(471)	-	-
Total equity		<u>16,665</u>	<u>16,584</u>	<u>10,749</u>	<u>11,109</u>
Non-current liabilities					
Borrowing	13	1,029	328	-	-
Deferred tax liabilities		10	10	-	-
Total non-current liabilities		<u>1,039</u>	<u>338</u>	<u>-</u>	<u>-</u>
Current liabilities					
Borrowings	13	2,494	2,926	-	-
Trade and other payables	14	1,710	1,377	146	273
Provisions		-	111	-	-
Contract liabilities		-	20	-	-
Current tax payable		-	21	-	1
		<u>4,204</u>	<u>4,455</u>	<u>146</u>	<u>274</u>
Total liabilities		<u>5,243</u>	<u>4,793</u>	<u>146</u>	<u>274</u>
Total equity and liabilities		<u>21,908</u>	<u>21,377</u>	<u>10,895</u>	<u>11,383</u>

C. Condensed interim statements of changes in equity

	Share capital	Merger reserve	Currency translation reserve	Statutory surplus reserve	Accumulated profits	Total	Non- controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
The Group								
At 1 Mar 2020	15,851	(2,825)	(70)	632	1,883	15,471	(498)	14,973
Profit for the period	-	-	-	-	260	260	34	294
Other comprehensive income/(loss), net of tax								
Currency translation differences arising from consolidation	-	-	199	-	-	199	(10)	189
Total comprehensive income for the period	-	-	199	-	260	459	24	483
At 31 Aug 2020	15,851	(2,825)	129	632	2,143	15,930	(474)	15,456
The Group								
At 1 Mar 2021	15,851	(2,825)	698	747	2,584	17,055	(471)	16,584
Profit/(loss) for the period	-	-	-	-	159	159	(3)	156
Other comprehensive income/(loss), net of tax								
Currency translation differences arising from consolidation	-	-	(75)	-	-	(75)	-	(75)
Total comprehensive (loss)/income for the period	-	-	(75)	-	159	84	(3)	81
At 31 Aug 2021	15,851	(2,825)	623	747	2,743	17,139	(474)	16,665

Condensed interim statements of changes in equity

	Share capital	Accumulated losses	Total
	USD'000	USD'000	USD'000
The Company			
At 1 Mar 2020	15,851	(4,299)	11,552
Loss and total comprehensive loss for the period	-	(232)	(232)
At 31 Aug 2020	15,851	(4,531)	11,320
At 1 Mar 2021	15,851	(4,742)	11,109
Loss and total comprehensive loss for the period	-	(360)	(360)
At 31 Aug 2021	15,851	(5,102)	10,749

D. Condensed interim consolidated statement of cash flows

	Group	
	6 months ended 31 Aug 2021 USD'000	6 months ended 31 Aug 2020 USD'000
Operating activities		
Profit before income tax	271	357
Adjustments for:		
Depreciation of property, plant and equipment	122	108
Depreciation on right-of-use assets	114	207
Amortisation of intangible assets	1	1
Reversal of inventories write-down	(141)	-
Interest expense	86	62
Dividend income	-	(1)
Interest income from banks	(1)	(6)
Net fair value gain on financial assets at fair value through profit or loss	-	(6)
Operating cash flows before working capital changes	452	722
Changes in working capital:		
Inventories	(278)	286
Trade and other receivables	481	(979)
Contract assets	(192)	(166)
Trade and other payables	222	(275)
Contract liabilities	(20)	-
Repayment of working capital bank loan	(3,674)	85
Proceeds from working capital bank loans	4,094	-
Currency translation adjustments	(85)	216
Cash generated from/(used in) operations	1,000	(111)
Income taxes paid, net	(141)	(61)
Interest paid	(75)	(44)
Cash flows generated from/(used in) operating activities	784	(216)
Investing activities		
Interest received	1	6
Dividend received	-	1
Purchase of property, plant and equipment	(145)	(10)
Cash flows used in investing activities	(144)	(3)
Financing activities		
Interest paid on lease liabilities	(11)	(18)
Repayment of lease liabilities	(142)	(128)
Cash flows used in financing activities	(153)	(146)
Net increase/(decrease) in cash and cash equivalents	487	(365)
Cash and cash equivalents at beginning of the period	3,836	3,427
Effect of exchange rate fluctuations on cash held	1	(12)
Cash and cash equivalents at end of the period	4,324	3,050

D. Condensed interim consolidated statement of cash flows(cont'd)

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	Group	
	As at 31/08/21	As at 31/08/20
	USD'000	USD'000
Cash and bank balances	4,324	3,050
Cash and cash equivalents at end of the period	4,324	3,050

E. Notes to the condensed interim consolidated financial statements

1 Corporate information

Nico Steel Holdings Limited (the "Company") is a company incorporated in Singapore. The registered office and principal place of business of the Company is located at 51 Loyang Way, Singapore 508744.

On 16 October 2020, the Company received from the Singapore Exchange Securities Trading Limited ("SGX-ST") the notification of delisting from the official list of the SGX-ST and the Company's application made on 30 June 2020 for a further extension of 12 months to meet the requirements under Rule 1314(1) of the Listing Manual for its removal from the watch-list has been rejected by the SGX-ST. Consequently, trading in the Company's securities has been suspended with effect from 16 November 2020 until the completion of an exit offer to the shareholders. As at date of authorisation of the financial statements, the Company was not able to make an exit offer as no exit offer has been received by either of the Company's controlling shareholders.

The principal activities of the Company are those relating to an investment holding company and a service company providing support services as required by its subsidiaries.

2 Basis of preparation

The condensed interim financial statements for the six months ended 31 August 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 28 February 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in US dollars (USD) which is the Company's functional currency.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

E. Notes to the condensed interim consolidated financial statements (cont'd)

2.2. Use of judgements and estimates (cont'd)

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 28 February 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Revenue

Revenue represents consideration to which the Group expects to be entitled in transferring the promised goods to customers. Revenue is predominantly attributable from the People's Republic of China.

4.1. Reported segments

The Group has the following two strategic business units, which are its reportable segments. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Coil Centre: provision of metallurgical solutions, metal slitting services, and import and export trading
- Plating: provision of electro-plating process, metal surface treatment and chemistry blending for electronic products
- Other operations comprise mainly investment holding

There is integration between the Coil Centre and Plating reportable segments. This integration includes plating services provided to the inventories of Coil Centre. Inter-segment pricing is conducted based on terms agreed between the segments.

Information regarding the results of each reportable segment is included as below.

E. Notes to the condensed interim consolidated financial statements (cont'd)

Information about reportable segments

	Coil Centre USD'000	Plating USD'000	Others USD'000	Total USD'000
HY2022				
Revenue and expenses				
External revenue	9,966	–	–	9,966
Inter-segment revenue	–	650	–	650
Total revenue of reportable segments	9,966	650	–	10,616
Interest income	94	-	–	94
Finance costs	(84)	(2)	–	(86)
Depreciation and amortisation	(127)	(110)	–	(237)
Reversal of inventories write-down	141	–	–	141
Reportable segment profit/(loss) before tax	642	(13)	(358)	271
Tax expense	(113)	–	(2)	(115)
Reportable segment profit/(loss) after tax	529	(13)	(360)	156
Other segment assets	21,307	535	64	21,906
Intangible assets	2	–	–	2
Total assets	21,309	535	64	21,908
Capital expenditure	145	-	–	145
Other segment liabilities	4,726	408	99	5,233
Deferred tax liabilities	10	–	–	10
Total liabilities	4,736	408	99	5,243

Other segment included unallocated Group-level corporate costs and income from investment holding.

E. Notes to the condensed interim consolidated financial statements (cont'd)

4.1. Reported segments (cont'd)

Information about reportable segments

	Coil Centre USD'000	Plating USD'000	Others USD'000	Total USD'000
HY2021				
Revenue and expenses				
External revenue	8,215	–	–	8,215
Inter-segment revenue	–	694	–	694
Total revenue of reportable segments	8,215	694	–	8,909
Interest income	93	0	1	94
Finance costs	(13)	(49)	–	(62)
Depreciation and amortisation	(240)	(76)	–	(316)
Reportable segment profit/(loss) before tax	418	171	(232)	357
Tax expense	(63)	–	–	(63)
Reportable segment profit/(loss) after tax	355	171	(232)	294
Other segment assets	18,136	733	407	19,276
Intangible assets	2	–	–	2
Deferred tax assets	3	–	–	3
Total assets	18,141	733	407	19,281
Capital expenditure	1	9	–	10
Other segment liabilities	3,228	408	139	3,775
Current tax payable	11	28	1	40
Deferred tax liabilities	10	–	–	10
Total liabilities	3,249	436	140	3,825

Reconciliations of reportable segment revenues, profit or loss and other material items

	Group	
	HY2022 USD'000	HY2021 USD'000
Revenue		
Total revenue for reportable segments	10,616	8,909
Elimination of inter-segment revenue	(650)	(694)
Consolidated revenue	9,966	8,215

E. Notes to the condensed interim consolidated financial statements (cont'd)

4.1. Reported segments (cont'd)

Reconciliations of reportable segment revenues, profit or loss and other material items (cont'd)

	Reportable segment total USD'000	Adjustments* USD'000	Consolidated total USD'000
Other material items			
HY2022			
Interest income	94	(93)	1
Finance costs	(179)	93	(86)
Depreciation and amortisation	(237)	–	(237)
HY2021			
Interest income	92	(86)	6
Finance costs	(148)	86	(62)
Depreciation and amortisation	(316)	–	(316)

* Exclude intercompany transactions

4.2. Geographical segment

The principal activity of the Company is that of an investment holding company. Subsidiaries of the Group are located in Singapore, People's Republic of China ("PRC") and Thailand.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Singapore USD'000	PRC USD'000	Malaysia USD'000	Thailand USD'000	Others USD'000	Total USD'000
HY2022						
Revenue from external customers	107	7,425	21	2,389	24	9,966
Non-current assets	1,818	1,543	–	5	–	3,366
HY2021						
Revenue from external customers	49	7,386	3	759	18	8,215
Non-current assets	1,840	1,703	–	8	–	3,551

Non-current assets information presented above are non-current assets as presented on the statements of financial position excluding financial instruments and deferred tax assets.

E. Notes to the condensed interim consolidated financial statements (cont'd)

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 August and 28 February 2021:

	Group		Company	
	31 August 2021	28 February 2021	31 August 2021	28 February 2021
	USD'000	USD'000	USD'000	USD'000
Financial Assets				
Cash and cash equivalents and Trade and other receivables (Amortised cost)	9,797	9,632	3,297	3,770
	9,797	9,632	3,297	3,770
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	5,121	4,631	146	273

6. Profit before taxation

6.1. Significant items

	Group	
	HY2022 USD'000	HY2021 USD'000
Income		
Interest income	1	6
Expenses		
Depreciation of property, plant and equipment	236	315
Amortisation of intangible assets	1	1
Interest on borrowings	75	44
Interest on lease liabilities	11	18
Lease expense - short-term lease	1	1
Reversal of inventories write-down	(141)	-
Foreign exchange loss, net	15	41

E. Notes to the condensed interim consolidated financial statements (cont'd)

6.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	HY2022	HY2021
	USD'000	USD'000
Current income tax expense	115	63

8. Net Asset value

	Group		Company	
	31-Aug-21	28-Feb-21	31-Aug-21	28-Feb-21
	USD'000	USD'000	USD'000	USD'000
Net assets	16,665	16,584	10,749	11,109
Net asset value per ordinary share based on the existing issued share capital as at the respective period (US cents)	0.3	0.3	0.2	0.2

E. Notes to the condensed interim consolidated financial statements (cont'd)

9. Intangible assets

	Patents USD'000	Trademarks USD'000	Total USD'000
Cost			
At 1 March 2020	29	19	48
Additions	1	-	1
At 28 February 2021	30	19	49
Additions	1	-	1
At 31 August 2021	31	19	50
Accumulated amortisation			
At 1 March 2020	28	18	46
Amortisation for the financial year	1	-	1
At 29 February 2021	29	18	47
Amortisation for the financial year	1	-	1
At 31 August 2021	30	18	48
Carrying amount			
At 28 February 2021	1	1	2
At 31 August 2021	1	1	2

10. Property, plant and equipment

During the six months ended 31 August 2021, the Group acquired assets amounting to US\$145,000 (31 August 2020: US\$10,000).

11. Trade and other receivables

	Group		Company	
	31-Aug-21 USD'000	28-Feb-21 USD'000	31-Aug-21 USD'000	28-Feb-21 USD'000
Trade receivables	5,516	5,778	-	-
Less: Loss allowance	(180)	(192)	-	-
	5,336	5,586	-	-
Non-trade amounts due from subsidiaries	-	-	3,235	3,695
Deposits	88	92	-	-
Other receivables	49	118	-	60
Prepayments	206	364	1	16
	5,679	6,160	3,236	3,771

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. There is no credit loss allowance recognised on these outstanding balances.

E. Notes to the condensed interim consolidated financial statements (cont'd)

12. Share capital

	31-Aug-21 Number of issued shares '000	Issued share capital USD'000	28-Feb-21 Number of issued shares '000	Issued share capital USD'000
Balance at beginning and end of period	4,962,166	15,851	4,962,166	15,851

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

There were no outstanding convertibles as at 31 August 2021 and 28 February 2021.

There were no treasury shares as at 31 August 2021 and 28 February 2021.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 August 2021 and 28 February 2021.

13. Borrowings

	Group 31-Aug-21 USD'000	28-Feb-21 USD'000
Non-current		
Lease liabilities	320	328
Working capital bank loan C (unsecured)	709	-
	1,029	328
Current		
Working capital bank loan A (unsecured)	974	1,279
Working capital bank loan B (unsecured)	1,432	1,417
Lease liabilities	88	230
	2,494	2,926
	3,523	3,254

Secured working capital bank loans

- (i) Unsecured working capital bank loans A and B are guaranteed by the Company and its subsidiaries.
- (ii) Working capital bank loans A and B are obtained to purchase inventories where the loan amounts are disbursed to the supplier subject to the bank's approval of the supplier's invoices and purchase orders submitted by the subsidiary. The repayment terms of loan A and loan B are 180 days and 150 days respectively which approximate the general credit terms given by suppliers that the subsidiary trades with.
- (iii) Unsecured working capital bank loan C is guaranteed by the Company.

E. Notes to the condensed interim consolidated financial statements (cont'd)

13. Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Lease liabilities USD'000
Balance at 29 February 2020	788
Changes from financing cash flows:	
- Proceeds	-
- Repayments	(266)
- Interest paid	(34)
Non-cash changes:	
- Interest expenses	34
Effect of changes in foreign exchange rates	36
Balance at 28 February 2021	558
Changes from financing cash flows:	
Changes from financing cash flows:	
- Proceeds	-
- Repayments	(142)
- Interest paid	(11)
Non-cash changes:	
- Interest expenses	11
Effect of changes in foreign exchange rates	(9)
Balance at 31 August 2021	408

E. Notes to the condensed interim consolidated financial statements (cont'd)

13. Borrowings (cont'd)

Terms and conditions of outstanding bank loans are as follows:

	Nominal interest rate %	Financial year of maturity	31-Aug-2021		28-Feb-2021	
			Fair value USD'000	Carrying amount USD'000	Fair value USD'000	Carrying amount USD'000
Group						
RMB floating rate loan A	120% of bank's board rate	2022	974	974	1,278	1,278
RMB floating rate loan B	China's Loan Prime Rate + 1.6% per annum	2022	1,432	1,432	1,417	1,417
SGD fixed rate loan C	2%	2026	709	709	-	-
			3,115	3,115	2,695	2,695

14. Trade and other payables

	Group		Company	
	31-Aug-2021 USD'000	28-Feb-2021 USD'000	31-Aug-2021 USD'000	28-Feb-2021 USD'000
Trade payables	626	513	-	-
Non-trade amounts due to subsidiaries	-	-	48	48
Bills payable	162	-	-	-
Accrued operating expenses	354	376	90	208
Other payables	568	488	8	17
	1,710	1,377	146	273

Non-trade amounts due to subsidiaries is unsecured, interest-free and repayable on demand.

In the current financial period, the weighted average effective interest rate of bills payable of the Group is 1.85% per annum. Bills payable are guaranteed by the Company.

15. Subsequent events

Subsequent to the financial period, the Group incorporated a wholly owned subsidiary, Nico New Technology Solutions (Jiangsu) Co., Ltd (the "Subsidiary") on 30 September 2021. The authorised share capital of the Subsidiary is US\$33,500,000.

F. Other information required by Listing Rule Appendix 7.2

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The condensed consolidated statement of financial position of Nico Steel Holdings Limited and its subsidiaries as at 31 August 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business.

Review of Group's Results

Group's revenue increased by 21.3% from US\$8.2 million for the six months ended 31 August 2020 ("HY2021") to US\$10.0 million for the six months ended 31 August 2021 ("HY2022"). The increase was mainly due to the increasing in customers' orders for Thailand subsidiary.

Revenue Analysis by Product Categories

	HY2022		HY2021		
	USD'000	% of revenue	USD'000	% of revenue	YoY Change
Customised Solutions	8,506	85.4	6,841	83.3	+ 24.3%
Nico Brand of Metal Alloys	1,460	14.6	1,374	16.7	+ 6.3%
	9,966	100.0	8,215	100.0	+ 21.3%

Geographically, China remained as the key revenue contributor to the Group in HY2022, contributing 74.5% of the Group's total revenue, compared to 90.0% in HY2021. Revenue contribution from Thailand increased from 9.2% in HY2021 to 24.0% in HY2022.

Cost of Sales

In tandem with the increase in revenue, cost of sales increased by 28.6% from US\$6.3 million in HY2021 to US\$8.1 million in HY2022.

Gross Profit and Gross Profit Margin

Gross profit decreased by 2.5% from US\$1.91 million in HY2021 to US\$1.87 million in HY2022. This was mainly due to the shortage of electronic chipset and raising of raw material prices. Correspondingly, gross profit margin decreased from 23.3% in HY2021 to 18.7% in HY2022.

F. Other information required by Listing Rule Appendix 7.2 (cont'd)

Interest Income from Banks

Interest income decreased from US\$6,000 in HY2021 to US\$1,000 in HY2022, mainly due to there was no fixed deposit with banks in HY2022.

Other Income

Other income decreased by 42.0% from US\$100,000 in HY2021 to US\$58,000 in HY2022. This was mainly due to the government grants received decreased under Jobs Support Scheme which provides wage support to employers during the period of economic uncertainty amidst the coronavirus pandemic in the reporting period.

Distribution, Administrative, Other Operating and Finance Expenses

In tandem with the increase in revenue, distribution expenses increased 6.3% from US\$208,000 in HY2021 to US\$221,000 in HY2022.

Administrative expenses decreased by 1.5% from US\$1.4 million in HY2021 to US\$1.3 million in HY2022 as a result of the Group's efforts to manage expenses.

Other expenses decreased 63.4% from US\$41,000 in HY2021 to US\$15,000 in HY2022, due to the decrease in foreign exchange loss as the Renminbi appreciated against the US dollar during the financial period under review.

Finance costs increased 38.7% from US\$62,000 in HY2021 to US\$86,000 in HY2022. The increase was mainly due to the increase in interest rate of trade facilities and secured bank loans in HY2022 for raw material purchases.

Income tax expenses increased 82.5% from US\$63,000 in HY2021 to US\$115,000 in HY2022, as a result of two of the Group's China subsidiaries reporting higher profit before income tax in HY2022.

Taking into account the above mentioned, the Group recorded a net profit attributable to the equity holders of the Company of US\$159,000 in HY2022, decreased by 38.8% compared to a net profit attributable to the equity holders of the Company of US\$260,000 in HY2021.

Assets and liabilities

Non-current assets decreased by US\$91,000 from US\$3.5 million as at 28 February 2021 to US\$3.4 million as at 31 August 2021. This was mainly due to the depreciation of property, plant and equipment and right-of-use assets.

Current assets increased by US\$622,000 from US\$17.9 million as at 28 February 2021 to US\$18.5 million as at 31 August 2021, mainly due to:

F. Other information required by Listing Rule Appendix 7.2 (cont'd)

Assets and liabilities (cont'd)

- (i) inventories increased by US\$419,000 from US\$7.3 million as at 28 February 2021 to US\$7.7 million as at 31 August 2021 as a result of an increase in purchases of raw materials during HY2022;
- (ii) cash and cash equivalents increased by US\$488,000 from US\$3.8 million as at 28 February 2021 to US\$4.3 million as at 31 August 2021. The increase was mainly due to the receipts from trade receivables by two of the Group's China subsidiaries in HY2022.

Non-current liabilities increased by US\$701,000 from US\$338,000 as at 28 February 2021 to US\$1.0 million as at 31 August 2021. The increase was mainly due to the proceeds from long term loan US\$709,000 of Singapore subsidiary under Temporary Bridging Loan Programme for SMEs during the financial period.

Current liabilities decreased by US\$251,000 from US\$4.5 million as at 28 February 2021 to US\$4.2 million as at 31 August 2021. This was mainly due to the repayments of bank borrowings to reduce reliance on banking facilities.

Equity

Equity comprises share capital, reserves, accumulated profits, and non-controlling interests. The total equity of the Group increased marginally by US\$81,000 or 0.5% from US\$16.6 million as at 28 February 2021 to US\$16.7 million as at 31 August 2021 due to accumulated profits.

Review of Group's Cash Flows

Net cash generated from operations amounted to US\$784,000 in HY2022, as compared to net cash used in operations of US\$216,000 in HY2021. The positive cash flow was mainly due to proceeds from working capital bank loan from Singapore subsidiary under Temporary Bridging Loan Programme for SMEs during HY2022.

Net cash used in investing activities was increased from US\$3,000 in HY2021 to US\$144,000 in HY2022 due to costs expended on the purchase of property, plant and equipment.

Net cash used in financing activities was increased from US\$146,000 in HY2021 to US\$153,000 in HY2022 due to repayment of lease liabilities.

Overall, the Group generated net cash inflows of US\$487,000 in HY2022 as compared to net cash outflows of US\$365,000 in HY2021.

F. Other information required by Listing Rule Appendix 7.2 (cont'd)

- 3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

- 4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Continued US-China tensions, global shortage of electronic chipset, drastic policy changes and on-off lockdowns due to COVID-19 cases are just a few of the many uncertainties faced by the Group's largest market in China. The global supply chain disarray caused mainly by port congestions, reduced flights, container shortages, and more recently, the worsening power supply shortage in China which are expected to last until next year. This could result in a shortage of many key goods from textiles to electronics components that could further disrupt supply chains and reduce profits of a host of multinational companies. In such a scenario, the Group's revenue and GP margin may also be impacted.

However, the Group continued to drive its business focusing on higher value-add services and customised metallurgical solutions with its range of proprietary NICO brand of metal alloys and materials, to overcome limitations and achieve functional and performance applications of its customers' end-user products.

In addition to being the first company in the Aluminium industry in China to have been twice-certified with the 80% minimum pre-consumer scrap recycled aluminium alloy by SCS Global Services ("SCS") (A5052 R80 and A1060 R80), NICO was again certified by SCS in September 2021 for minimum 90% pre-consumer recycled Stainless Steel meeting SCS Recycled Content Standard V7-0 (Nico SUS 304 R90). As of today, NICO is the only company in China that can provide Aluminium materials with recycled content of 80% and above and Stainless Steel materials with recycled content of 90% and above. NICO hopes that this would give it a first-mover advantage and make it the designated recycled material supplier of choice to its customers.

As a result of the ongoing urbanisation by the city government of Suzhou, China, which is taking place within the vicinity of the Group's Suzhou production facilities, the subsidiaries in China plan to shift their operations to the northern region of Jiangsu Province. The wholly owned new subsidiary which incorporated on 30 September 2021 in Jiangsu, China is not expected to have any material impact on the earnings per share and net tangible asset per share of the Group for the next 12 months.

The Singapore subsidiary is in the construction phase of its Liquid Forging Project. Production equipment will be installed and be put into trial operation within FY2022.

The Group will update shareholders on any material developments as and when appropriate.

F. Other information required by Listing Rule Appendix 7.2 (cont'd)

5. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

6. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended because the Group wants to conserve cash for expansion and growth amid the current challenging business environment.

7. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

There were no interested person transactions, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the half-year ended 31 August 2021.

F. Other information required by Listing Rule Appendix 7.2 (cont'd)

8. Confirmation pursuant to the Rule 705(5) of the Listing Manual

The Board of Directors of the Company hereby confirm to the best of its knowledge nothing has come to its attention which may render unaudited interim financial results for the six months ended 31 August 2021 to be false or misleading in any material aspect.

9. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all the directors and executive officers under Rule 720(1).

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman and President
13 October 2021