Nico Steel Solutions™
Think Innovation

RESHAPING the GRID of INNOVATION

ANNUAL REPORT 2018

VISION

Nico's vision is to be Asia's most innovative metallurgical solutions provider in the personal computer, high-tech electronics and automotive industries.

MISSION

Nico will meet our customers' demands for innovative and state-of-the art solutions through Nico's visionary supplier and customer partnerships.

Contents

About NICO STEEL

Nico Steel Solutions first started as DSAG in 1991. The latter began as a paper trader. In 1992, the Company changed its core business and became a steel trader. Thus, DSAG became Nico Steel Centre (S) Pte Ltd.

In 1995, the Company decided to differentiate itself strategically from the rest of its competitors by becoming a full-service coil centre. By doing so, Nico was able to customise and engineer solutions tailored to the stringent specifications of its customers.

In December 1999, this young start-up was elevated to the status of a pioneer in the industry and awarded the ISO9001. Nico Steel Solutions (S) Pte Ltd was born. It now carries a striking new logo and slogan to reflect its focus in providing innovative engineering solutions.

Corporate Values

These corporate values help create a distinct identity for Nico and its employees and are embraced by all levels of the organisation's hierarchy. Employees live by it when dealing with suppliers, clients and with one another. Nico call this 'Inside-Out Branding'.

D

DARING

This involves breaking out of established patterns of thinking and problem solving in order to look at things from a new and fresh perspective.

R

REGARD CHANGE AS AN OPPORTUNITY

Nico will always be sensitive to the constant changes in the market place, locally and globally in order to seize opportunities quickly.

I

INTENSE PASSION

This feeling derives from Nico's belief that it has the means to deliver its promise from concept to reality.

V

VISIONARY CUSTOMER AND SUPPLIER PARTNERSHIP

Nico's strategy of collaborating with its suppliers, customers and its customer's customer is the key to understanding the requirement of product by the end-users.

E

EXCELLENCE

The culture of excellence at Nico has instilled pride and motivation in its employees and is the driving force behind its innovative spirit.

Chairman's Message

DEAR SHAREHOLDERS,

2017 has been a momentous year for NICO. In the wake of challenging market conditions and rising innovation costs, our industry has embarked on a wave of consolidation, which has a profound transformational impact for all the players involved. I am pleased that NICO, after a period of turbulence, has found a path that guarantees the Company's long-term future and safeguards its identity.

We live in a rapidly changing and evolving world. People everywhere face digital disruptions which are changing the way they live, work, play, and interact with one another. Let me first discuss emerging world trends and changes that would reshape our industries and, indeed, the global economy.

Trend 1: The increasing datafication of our lives

From chatting to friends in a messaging app, buying a coffee or streaming music, today almost everything we do leaves a trail of data breadcrumbs. And this increasing datafication of our world has led to an unprecedented explosion in data. Just in the average minute, Facebook receives 900,000 logins, more than 450,000 Tweets are posted, and 156 million emails and 15 million texts are sent. With numbers like that, it's no wonder we're essentially doubling the amount of data created in the world roughly every two years.

Trend 2: The Internet of Things (IoT) and how everyday devices are becoming more 'smart'

The IoT – which encompasses smart, connected products like smart phones and smart watches – is a major contributing factor in this exponential increase in data. That's because all these smart devices are constantly gathering data, connecting to other devices and sharing that data – all without human intervention. Pretty much anything can be made smart these days. Our cars are becoming increasingly connected; by 2020, a quarter of a billion cars will be hooked up to the Internet. For our homes, there are obvious smart products like TVs. And, of course, many of us have voice-enabled personal assistants like Alexa – another example of an IoT device. That's already a lot of devices, but the IoT is just getting started. IHS Technology has predicted there'll be 125 billion connected devices by 2030.

Trend 3: Exponential growth in computing power is fueling massive tech advances

None of this incredible growth in data, nor the billions of IoT devices available, would be possible without the enormous leaps in computing power that we've made. Between 1975 and 2015, computing power doubled at a rate of every two years, before slowing to the current rate of approximately every two and a half years. But we're reaching the limits of what traditional computing power can handle. Thankfully, on the horizon, we have quantum computing. Probably the most significant transformation of computing power ever, quantum computing will see computers become millions of times faster than they are right now. Tech leaders are in a race to launch the first commercially viable quantum computer, capable of solving problems that today's computers can't handle. Capable, even, of solving problems that we can't even imagine yet.

Trend 4: The incredible rise of artificial intelligence (AI)

Computers are now able to learn in much the same way as we humans do, and this leap in AI capabilities has been made possible by the massive increases in data and computing power. It's the incredible explosion in data that has allowed AI to advance so quickly over the last couple of years; the more data an AI system has, the quicker it can learn and the more accurate it becomes. This huge step forward in AI mean computers can now undertake more and more human tasks. In fact, it's AI that allows computers to see (e.g. facial recognition software), read (e.g. analyzing social media messages), listen (e.g. Alexa standing by to answer your every command), speak (e.g. Alexa being able to answer you) and gauge our emotions (e.g. affective computing).

Trend 5: The unstoppable freight train that is automation

The more intelligent machines become, the more they can do for us. That means even more processes, decisions, functions and systems can be automated and carried out by algorithms or robots. Eventually, a wide range of industries and jobs will be impacted by automation. However, for now, the first wave of jobs that machines are taking can be categorized using the four Ds: dull, dirty, dangerous and dear. This means humans will no longer be needed to do the jobs that machines can do faster, safer, cheaper and more accurately. Beyond the four Ds, machines, robots and algorithms will replace many human jobs, including professional jobs in fields like law or accounting. From truck drivers to bricklayers to doctors, the list of jobs that are likely to be affected by automation is surprising.

Trend 6: 3D printing opens up amazing opportunities for manufacturers (and others)

Related to increasing automation, the invention of 3D printing is disrupting manufacturing, and other industries, in many positive ways. In traditional (subtractive) manufacturing, objects are cut or hollowed out of material, such as metal, using something like a cutting tool. But in 3D printing (also known as additive manufacturing), the object is created by laying down, or adding, layers of material. The materials used in 3D printing can be pretty much anything: plastic, metal, concrete, liquid, and powder, even chocolate or human tissue! With 3D printing, far more complex shapes can be created than in traditional manufacturing – and using less material, too. It also allows for much greater customization of products, without worrying about economies of scale.

Trend 7: 5G – The next wireless revolution

As smartphones and other digital devices get smarter and more numerous – and as the applications they run generate ever more data – the wireless network that connects them must change to keep pace. That's why telecommunications giants like Verizon, AT&T, and Sprint are racing to roll out the fifth generation of wireless network technology (5G). Data transfer speeds are projected to be about 10 times higher with 5G than is possible with 4G. That means significantly faster transmission of images and videos. With 4G/LTE, downloading a high-definition movie might take about 10 minutes. With 5G, it should take less than a second. 5G would also reduce latency, making it possible, for example, to watch high-speed virtual reality video with no delays or glitches. Lastly, cell towers equipped with 5G technology would have greatly increased capacity over 4G/LTE. That means more people – and more devices – should be able to communicate at the same time.

Trend 8: Global electric vehicle market

By 2020, electric vehicles (EVs) are likely to cost the same as conventional fuel powered equivalents. According to Frost & Sullivan's recently released "Global Electric Vehicle Market Outlook 2018," global sales are poised to climb from 1.2 million in 2017 to 1.6 million in 2018 and further upwards to an estimated 2 million in 2019. Initiatives to develop low-cost, fast charging battery technologies that support long range use looked set to yield promising results. In 2017, car manufacturers targeted higher battery capacities of over 60 kWh that increased the range of an EV up to 200 miles on a single charge. China will retain its position as the biggest market for EVs for at least the next 5 to 7 years. Recognizing this reality, global EV manufacturers have been targeting China for partnership opportunities to grab a slice of this very lucrative pie.

MOVING AHEAD

Amidst these tectonic shifts, NICO strives to become a stronger, more innovative, and more sustainable company. The group will capitalize on success made with development of new NICO Branded Materials for 5G devices, related IoT products and new inroads made in the electric vehicle market. The Group's unique abilities to innovate and customize materials that satisfy stringent requirements in terms of weight control, heat dissipation, electromagnetic interference and radio frequency that designers of 5G devices faced has also attracted global leaders in the drone and aerial surveillance technology and electric car industries to seek corporation in developing new materials.

ACKNOWLEDGEMENT

I would like to thank all our dedicated employees, board of directors, shareholders and partners for their continued support and contributions. Special thanks go to our people for doing a great job in FY 2018.

Sincerely,

Danny Tan
Chairman & President

Board Of Directors

TAN CHEE KHIONG DANNY
Executive Chairman & President

Mr Danny Tan is the Executive Chairman and President of the Company appointed on 10 April 2002. He is primarily responsible for the overall management, business strategies and expansion of the Company. He was one of the founders of Nico Steel, and had, since the establishment of Nico Steel, been instrumental in setting the strategic development of Nico Steel's business. In October 2004, he received the Special Mention Award during the 2004 ASME – Rotary Entrepreneur of the Year Award.

Mr Danny Tan is the brother of our Executive Director, Mr Steven Tang and Mr Andrew Tang.

TANG CHEE BIAN STEVEN
Executive Director

Mr Steven Tang was a Director of the Company, appointed on 23 June 2001, who had retired by rotation at the Company's annual general meeting held on 26 June 2014. During his tenure, Mr Steven Tang was in charge of all the sales and marketing activities of the Group.

Mr Steven Tang was appointed as an Executive Director of the Company on 23 March 2018. He is responsible for the sales and marketing of the Group to promote and develop using the green NICO Branded Materials. Mr Steven Tang has more than 20 years of experience in sales and marketing of raw material from various mills in Japan, Korea, China, Taiwan, USA and Europe.

Mr Steven Tang is the brother of our Executive Chairman and President, Mr Danny Tan and brother of our Executive Director, Mr Andrew Tang.

TANG CHEE WEE ANDREW
Executive Director

Mr Andrew Tang is the Corporate Development Director of the Company appointed on 10 April 2002. He is responsible for business development and corporate strategy and training for the Group, as well as managing and promoting the "Nico" brand. Mr Andrew Tang joined our Group in 2001. He brought with him his knowledge and experience in corporate development and corporate branding.

Mr Andrew Tang is the brother of our Executive Chairman and President, Mr Danny Tan and brother of our Executive Director, Mr Steven Tang.

TAN POH CHYE ALLAN

Lead Independent Director

Mr Allan Tan is the Lead Independent Director of the Company appointed on 16 February 2015. He is a partner at Virtus Law LLP, associated with Stephenson Harwood LLP, an international law firm, and practices in the field of corporate finance, regulatory and compliance laws. He was admitted to the Singapore Bar in 1994. He is also presently an Independent Director of CNMC Goldmine Holdings Limited, listed on Catalist of the SGX-ST.

He holds a Bachelor of Laws (Honours) degree from the University of Buckingham (United Kingdom) and a Master's degree in Law from the London-Guildhall University. He is also a Barrister-at-law of Gray's Inn.

Mr Allan Tan is the chairman of our Remuneration Committee and member of the Audit and Nominating Committee.

GAVIN MARK MCINTYRE

Independent Director

Mr McIntyre is an Independent Director of the Company appointed on 22 August 2016. He is a Singaporean with many years of experience in accounting related sectors. In 1989, he graduated from Curtin University in Australia with a degree in Accounting and since 1994, holds the status of non-practicing CPA with CPA Australia.

Mr McIntyre started his career as an analyst with Dun & Bradstreet in Singapore and later joined two of the Big Four public accounting firms where he rose to the position of Director, specializing in the fields of financial and debt restructuring for corporates and individuals. He was particularly active in the aftermath of the Asian Financial Crisis and the Dot Com bust.

From 2013 till 2015, Mr McIntyre worked as a practice director with a boutique valuation services firm with a strong regional presence in Asia. Between 2008 and 2013, he was holding the position of Chief Financial Officer of a listed company in Singapore where he worked closely with the Board to review projects in the fields of mineral extraction, telecommunications and general manufacturing & distribution.

In February 2017, Gavin was appointed as an Independent Director at Anchor Resources Limited and is a member of the Audit, Nominating and Remuneration Committee.

Mr McIntyre is the Chairman of our Audit Committee and member of the Nominating and Remuneration Committee.

LEE ENG YEW MICHAEL

Independent Director

Mr Michael Lee is an Independent Director of the Company appointed on 26 June 2014. He was a Senior Director with Manulife Singapore. Previously, he was a District Manager with the American International Assurance. Mr Michael Lee has more than 20 years of experience specializing in the areas of financial, investment and estate planning.

Mr Michael Lee graduated from the Nanyang Technological University with a Bachelor of Accountancy in 1993. He also holds a MBA in Strategic Wealth Management from the University of Vienna, Austria. He is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Mr Michael Lee is the chairman of our Nominating Committee and member of the Audit and Remuneration Committee.

Executive Officers

ONG HOCK SENG

is our General Manager of our Thailand subsidiary. Mr Ong joined our Group in 2004. He is responsible for the Group's operations in Thailand. Prior to joining our Group, Mr Ong has more than 12 years of experience in the stamping industry serving as plant manager and production manager in various overseas subsidiaries of the local stamping houses.

WANG LU

is our Group Finance Manager. Ms Wang joined our Group in 2008 as our Group Accountant. She was promoted to her present position in 2011. She is responsible for the Group's finance, accounting, tax and management information system functions. Prior to joining our Group, Ms Wang was a finance officer of a Group of Companies in manufacturing industries.

PHUA KWAN SENG

is our Operations Manager of our Suzhou subsidiary. Mr Phua has joined our group in 2015. He is responsible for managing day-to-day operations in Suzhou. Prior to joining our Group, Mr Phua has more than 20 years of experiences in EMS industries as Supply Chain and Operations Manager and was based in Singapore, Malaysia, China and USA.

NG CHIN SENG

is our General Manager of our Suzhou plating subsidiary. Mr Ng joined our Group in 2007 and prior to joining us, he has more than 13 years of experience in plating industry serving as manager. Mr Ng is responsible for our Group's plating operations and sales in Suzhou. He has been appointed as Executive Officer of our Group on 1 April 2011.

Operations Review

OVERVIEW

The overall revenue of the Group has decreased by 0.8% from USD13.3 million in FY 2017 to USD13.2 million in FY 2018.

The Group's gross profit margin has increased from 19.5% in FY 2017 to 26.1% in FY 2018. The increase was mainly due to (i) the higher gross margin derived from the sales of NICO Branded Materials; and (ii) the Group's continued focus on higher margin value added segment and plating project.

Other income increased by 248.5% from USD99,000 in FY 2017 to USD345,000 in FY 2018. This was mainly due to the Group has recognized an exchange gain of USD190,000 in FY 2018 due to the movement in market exchange rates.

Distribution costs decreased by 33.6% from USD265,000 in FY 2017 to USD176,000 in FY 2018. This was mainly due to the Group's increased efforts in place to monitor the freight charges and other selling expenses.

Administrative expenses decreased by 21.4% from USD4.2 million in FY 2017 to USD3.3 million in FY 2018. The decrease was mainly contributed by tighter cost control measures implemented by the Group to minimize administrative expenses.

Finance costs increased by 15.6% from USD135,000 in FY 2017 to USD156,000 in FY 2018. The increase was mainly due to a subsidiary in China taking up additional bank loans in FY 2018.

Tax expenses increased by 1100.0% from USD12,000 in FY 2017 to USD144,000 in FY 2018. The increase was mainly due to some subsidiaries within the Group making profit in FY 2018.

Geographical Breakdown

	FY2018		FY2017	
	USD'000	%	USD'000	%
Singapore	221	1.7	96	0.7
PRC	10,832	81.9	10,370	78.0
Malaysia	278	2.1	55	0.4
Thailand	1,779	13.5	2,454	18.5
USA	–	–	265	2.0
Other Countries*	105	0.8	53	0.4
Total	13,215	100.0	13,293	100.0

* Other countries comprise mainly Japan, Indonesia, Taiwan and Hong Kong.

Geographically, China remained as the key revenue driver in FY 2018, contributing 81.9% of the Group's total revenue, as compared to 78.0% in FY 2017. Thailand contributed 13.5% to the Group's revenue in FY 2018, as compared to 18.5% in FY 2017.

Segmental Breakdown

Despite the reduction in the overall Group's revenue, the Group has continued making progress in FY 2018 to promote NICO Branded Materials. The revenue arising from the sales of this product accounted for 23.2% of the Group's total revenue in FY 2018 compared to 18.0% of the Group's total revenue in FY 2017.

Revenue from Customised Metal Alloy has decreased from USD8.4 million in FY 2017 to USD7.1 million in FY 2018, revenue from Commercial Metal Alloy has increased from USD2.5 million in FY 2017 to USD3.0 million in FY 2018.

Operations Review

Industrial Breakdown

With sales of USD5.8 million or 44.0% of total turnover, the Computer Peripherals market, in particular, the supply of keyboards, liquid crystal displays and internal parts of notebooks, tablet and laptops, continued to be the main contributor for sales of Customised Metal Alloys, which is in line with the Group's focus on higher value added segment. The remaining sales are attributable to Consumer Electronics, New Energy, Telecommunications, Thermal Solutions, Hard Disk Driver and other industries.

	FY2018		FY2017	
	USD'000	%	USD'000	%
Hard Disk Drive (HDD)	113	0.9	1,319	9.9
Telecommunication	793	6.0	1,246	9.4
Consumer Electronics	2,991	22.6	2,262	17.0
Computer Peripherals	5,811	44.0	5,797	43.6
New Energy	1,140	8.6	854	6.4
Others	2,367	17.9	1,815	13.7
Total	13,215	100	13,293	100

Financial Review

Property, plant and equipment decreased by 2.9% from USD3.4 million as at 28 February 2017 to USD3.3 million as at 28 February 2018.

Trade and other receivables increased by 30.2% from USD4.3 million as at 28 February 2017 to USD5.6 million as at 28 February 2018. The increase was mainly due to some subsidiaries within the Group increased sales volume in FY 2018 towards the year end.

Cash at bank and in hand increased by 83.3% from USD1.2 million as at 28 February 2017 to USD2.2 million as at 28 February 2018. The increase was mainly due to the proceeds from the Bonds issued by the Company in FY 2018.

Inventories increased by 8.2% from USD7.3 million as at 28 February 2017 to USD7.9 million as at 28 February 2018. The increase was mainly due to increased purchases by a subsidiary in China towards the year end in FY 2018 to meet customers' order.

Trade and other payables, and bills payable decreased by 11.5% from USD2.6 million as at 28 February 2017 to USD2.3 million as at 28 February 2018. The decrease was mainly due to the Group's efforts to manage its subsidiary in Singapore to repay its bills payable promptly to reduce the Group's reliance on bank trade facilities.

The Group's financial liabilities increased by 25.0% from USD2.0 million as at 28 February 2017 to USD2.5 million as at 28 February 2018. The increase was mainly due to the additional borrowings taken by a subsidiary in China in FY 2018.

The Group recorded a net cash inflow from its operating activities of USD2,000 in FY 2018 (FY 2017: net cash outflow of USD907,000). This was mainly due to cash inflow from operating profits in FY 2018 and additional secured bank loan taken up by a subsidiary in China in FY 2018 for purchases purpose, partially offset by the increase in trade and other receivables and inventories.

Net proceeds from the issuance of Redeemable Convertible Bonds of USD2.2 million, partially offset by the repayment of the short term loan amounting to USD1.2 million by a subsidiary in Singapore, contributed to the net cash generated from financing activities of the Group in FY 2018.

Overall, the Group generated net cash inflows of USD1.0 million in FY 2018 compared to net cash outflow of USD0.7 million in FY 2017.

ISSUE OF 2.0% REDEEMABLE CONVERTIBLE BONDS DUE 2018 WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO S$50,000,000

As at the date of this Annual Report, the Company had issued eight sub-tranches of the Tranche 1 Bonds in the principal amount of S$8,000,000 to the Subscriber. The changes to the Company's issued share capital since 28 February 2017 are as following:

Date	Description	No. of shares converted	Conversion Price (S$)
17 May 2017	Update on the cancellation of 5,454,546 ordinary shares erroneously allotted by the Company (Announcement released on 17 May 2017)	–	–
15 June 2017	Conversion of remaining fourth sub-tranche under Tranche 1 Bonds issued on 24 January 2017 Conversion of part of fifth sub-tranche under Tranche 1 Bonds issued on 13 June 2017	50,000,000	S$0.010
16 June 2017	Conversion of part of fifth sub-tranche under Tranche 1 Bonds issued on 13 June 2017	50,000,000	S$0.010
29 November 2017	Conversion of remaining fifth sub-tranche under Tranche 1 Bonds issued on 13 June 2017 Conversion of part of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	50,000,000	S$0.005

Date	Description	No. of shares converted	Conversion Price (S$)
30 November 2017	Conversion of part of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	20,000,000	S$0.005
20 December 2017	Conversion of part of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	66,666,666	S$0.003
21 December 2017	Conversion of part of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	33,333,333	S$0.003
22 January 2018	Conversion of part of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	75,000,000	S$0.002
23 January 2018	Conversion of part of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	75,000,000	S$0.002
26 January 2018	Conversion of remaining of sixth sub-tranche under Tranche 1 Bonds issued on 28 November 2017	50,000,000	S$0.002
23 February 2018	Conversion of part of seventh sub-tranche under Tranche 1 Bonds issued on 26 January 2018	250,000,000	S$0.001
26 February 2018	Conversion of part of seventh sub-tranche under Tranche 1 Bonds issued on 26 January 2018	300,000,000	S$0.001
27 February 2018	Conversion of part of seventh sub-tranche under Tranche 1 Bonds issued on 26 January 2018	300,000,000	S$0.001
28 February 2018	Conversion of part of seventh sub-tranche under Tranche 1 Bonds issued on 26 January 2018	100,000,000	S$0.001
24 May 2018	Conversion of remaining of seventh sub-tranche under Tranche 1 Bonds issued on 26 January 2018 Conversion of part of eight sub-tranche under Tranche 1 Bonds issued on 18 April 2018	350,000,000	S$0.001

The Company issued the eighth sub-tranche of the Tranche 1 Bonds in the principle amount of SGD1,000,000 to the Subscriber on 18 April 2018. As at the date of this Annual Report, the balances of SGD700,000 of the eighth sub-tranche under Tranche 1 Bonds has yet to be converted. Following the allotment and issuance of the conversion shares, the Company's total number of issued shares has increased from 1,912,166,175 shares to 2,262,166,175 shares.

UTILIZATION OF THE NET PROCEEDS FROM THE BONDS ISSUED ON 15 MARCH 2016, 29 NOVEMBER 2016, 10 JANUARY 2017, 24 JANUARY 2017, 13 JUNE 2017, 28 NOVEMBER 2017, 26 JANUARY 2018 AND 18 APRIL 2018

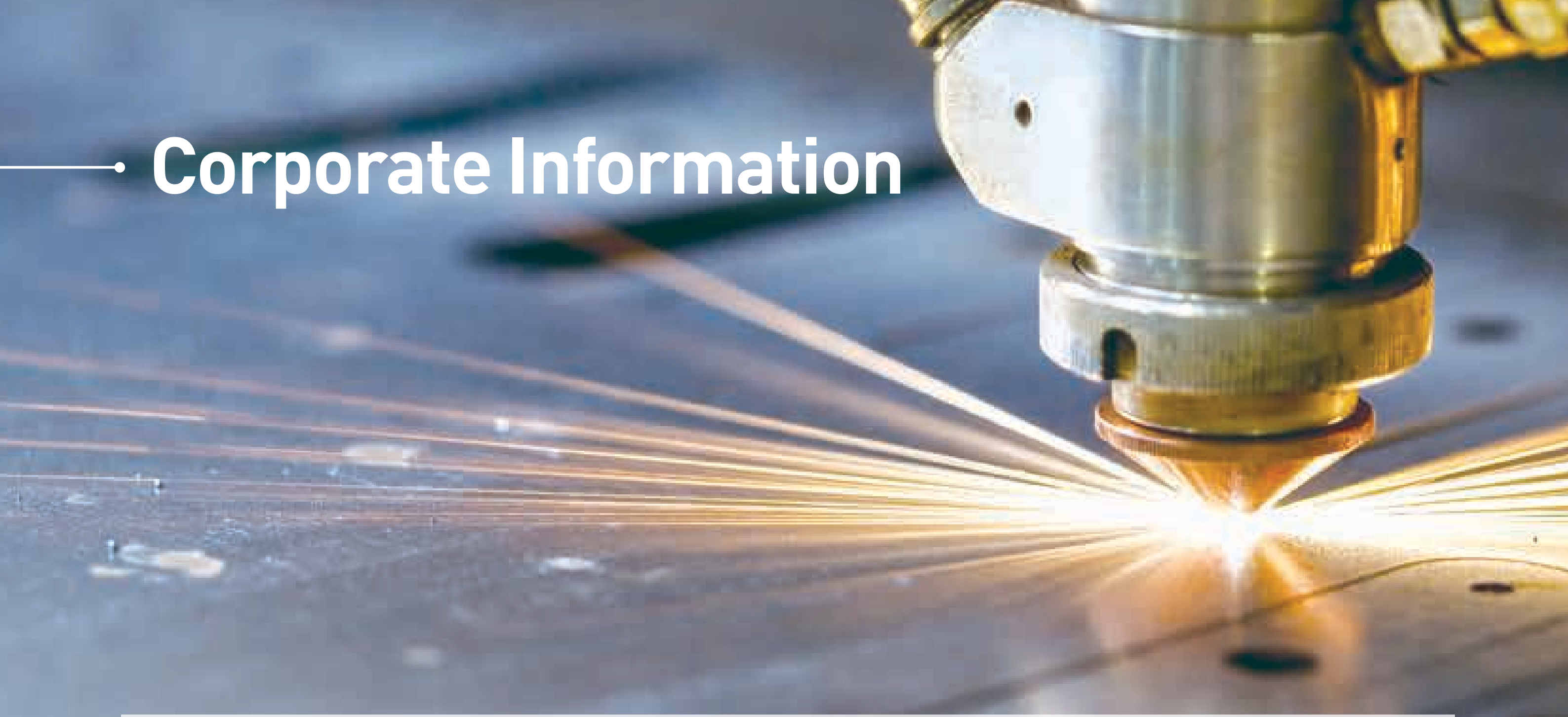
USE OF PROCEEDS – BOND ISSUE	Amount S$'000	Amount S$'000
Net Proceeds from the Initial Bond#		7,615
Less:		
Repayment of loans from Parot Tovot LLC	260	
Repayment of loans from Nico Steel Solutions (S) Pte Ltd	300	
Repayment of loans from Affiliated Companies	340	
Group's general working capital*	4,365	
Legal and professional fee in relation to RCB issued	254	
Total usage of proceeds		(5,519)
Balance of Net Proceeds		2,096

\# Net Proceeds from the Initial Bond of SGD7,615,000 was after deduction of transaction costs amounting to SGD385,000, including arranger's fee and legal fee of VCAM incurred.

* Funds used for the Group's general working capital were for staff costs and other operating costs.

The use of proceeds is consistent with the use of proceeds for the Bonds as disclosed in the Circular.

Corporate Information



BOARD OF DIRECTORS

Tan Chee Khiong Danny
(Executive Chairman and President)

Tang Chee Wee Andrew

Tang Chee Bian Steven

Tan Poh Chye Allan

Gavin Mark McIntyre

Lee Eng Yew Michael

AUDIT COMMITTEE

Gavin Mark McIntyre *(Chairman)*

Tan Poh Chye Allan

Lee Eng Yew Michael

NOMINATING COMMITTEE

Lee Eng Yew Michael *(Chairman)*

Tan Poh Chye Allan

Gavin Mark McIntyre

REMUNERATION COMMITTEE

Tan Poh Chye Allan *(Chairman)*

Gavin Mark McIntyre

Lee Eng Yew Michael

COMPANY SECRETARY

Yeoh Kar Choo Sharon

REGISTERED OFFICE

51 Loyang Way

Singapore 508744

COMPANY REGISTRATION NO.

200104166D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

INDEPENDENT AUDITORS

BAKER TILLY TFW LLP

Chartered Accountants of Singapore

600 North Bridge Road

#05-01 Parkview Square

Singapore 188778

(Since 25 February 2016)

PARTNER-IN-CHARGE

Ong Kian Guan

(With effect from financial year 2016)

PRINCIPAL BANKER

DBS Bank Ltd

6 Shenton Way

DBS Building Tower One

Singapore 068809

GENERAL / INVESTOR RELATIONS

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Nico Steel Holdings Limited,

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at the Registered Office.

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Corporate Governance Report

The Board and management of Nico Steel Holdings Limited (the "Company") recognise the importance of corporate governance in maintaining high standards of accountability to its shareholders by complying with the recommendations made by the Code of Corporate Governance 2012 issued by the Ministry of Finance on 2 May 2012 (the "Code"). For the financial year ended 28 February 2018, the Company has generally adhered to the principles and guidelines as set out in the Code.

(A) BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Company and its subsidiaries (collectively, the "Group") and supervises the management. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including providing leadership, setting its strategic direction, establishing risk policy and goals for the management as well as monitoring the achievement of these goals.

To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures.

The Board conducts regular scheduled meetings. Ad hoc meetings are also convened when circumstances require. To facilitate the attendance and participation of Directors at Board meetings, the Company's Constitution allow Board meetings to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

For the financial year ended 28 February 2018, the Board met on two (2) occasions. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings for the financial year ended 28 February 2018 is disclosed on page 31 of this Annual Report.

The functions of the Board include the following which are also part of the matters reserved for the Board's approval:–

- approval of the group's strategic objectives;
- approvals of the annual operating and capital expenditure budgets and any material changes to them;
- review of performance in the light of the group's strategic objectives, business plans;
- changes relating to the group's capital structure including reduction of capital, share issues, share buy backs;
- major changes to the group's corporate structure, including, but not limited to acquisitions and disposals;
- changes to the Group's management and control structure;
- approval of the quarterly/half-yearly/full year's results announcements; annual reports and accounts, including the corporate governance report;
- approval of the dividend policy and declaration of the interim dividend and recommendation of the final dividend;
- approval of any significant changes in accounting policies or practices;
- ensuring maintenance of a sound system of internal control and risk management;
- approval of major capital projects;
- contracts regarding acquisitions or disposals of fixed assets (including intangible assets such as intellectual property); substantial bank borrowings etc; and
- major investments.

The Company recognises the importance of appropriate training for its Directors. Newly appointed Directors will be given briefings and orientation of the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

The Company has set aside funding and will be responsible for arranging and funding the training of Directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board presently comprises the following members:–

1. Tan Chee Khiong Danny – Chairman & President
2. Tang Chee Wee Andrew – Executive Director
3. Tang Chee Bian Steven – Executive Director
4. Tan Poh Chye Allan – Lead Independent Director
5. Lee Eng Yew Michael – Independent Director
6. Gavin Mark McIntyre – Independent Director

Key information regarding the Directors is given in the section entitled "Board of Directors" in this Annual Report.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review. Each Independent Director is required to complete a Director's independent checklist annually to confirm his independence based on the guidelines as set out in the Code. Each of them also confirmed that they are independent despite not having any relationship identified in the Code. The NC has determined that all the three (3) Independent Directors are independent. Through the NC, the Board considers all the three (3) Directors to be independent including independent from the 10% shareholders* of the Company.

**"10% shareholders" refers to a person who has an interest or interests in one or more voting shares in the Company and the total vote attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. Voting shares exclude treasury shares.*

Currently, there are three (3) Independent Directors, who made up half (1/2) of the Board composition. With three (3) Independent Directors and three (3) Executive Directors of a total of six (6) Directors, the Board is able to exercise independent and objective judgement on Board affairs.

Further, the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, and knowledge of the Company and the Group with core competencies in accounting and finance, legal practices, business experience and industry knowledge. At Board and committee meetings, key issues and strategies, challenges arising from the changes in the evolving competitive landscape are critically examined, taking into consideration the long-term interests of the Group and its shareholders.

None of the Independent Directors have served on the Board beyond nine (9) years from the date of first appointment.

The Board is of the opinion that given the scope and nature of the Group's operations, the size of the Board is appropriate in facilitating effective decision making.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Tan Chee Khiong Danny, is the Chairman and President. Mr Tan Chee Khiong Danny, who is responsible for the Group's business operations, has played an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision.

The Board has not adopted the recommendation of the Code to have separate Directors appointed as the Chairman and CEO. This is because the Board is of the view that the current composition and culture of the Board have enabled the independent exercise of objective judgement on affairs and operations of the Group by members of the Board taking into account factors such as the contributions made by each member at Board meetings which relate to the affairs and operations of the Group. The Board is satisfied that one (1) person is able to effectively discharge the duties of both positions.

Besides being responsible for the day-to-day running of the Group, Mr Tan Chee Khiong Danny, the Chairman, ensures that each member of the Board and the management work well together with integrity and competency. As the Chairman, he schedules Board meetings as and when required, sets the agenda for Board meetings and ensures that quality, quantity, accuracy and timeliness of information flow between the Board, management and shareholders of the Company. He encourages constructive relations between the Board and management and between the Executive Directors and the Independent Directors. He keeps Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. He is also responsible for ensuring compliance with corporate governance guidelines.

Mr Tan Poh Chye Allan has been appointed as the Lead Independent Director of the Company on 16 February 2015. The role of the Lead Independent Director would include meeting with shareholders where they have concerns which contact through the normal channels of the Chairman or the Group Finance Manager has failed to resolve or for which such contact is inappropriate. In addition, the Lead Independent Director will co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. Where necessary, the Lead Independent Director will chair meeting with Independent Directors without Executive Directors being present so as to facilitate well-balanced viewpoints to the Board.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Nominating Committee

The NC comprises three (3) Directors namely, Mr Lee Eng Yew Michael (Independent Director), Mr Tan Poh Chye Allan (Lead Independent Director), and Mr Gavin Mark McIntyre (Independent Director). The Chairman of the NC is Mr Lee Eng Yew Michael.

The key terms of reference of the NC includes the following functions:–

- evaluate and review nominations for appointment and re-appointment to the Board and the various committees;
- nominate a Director for re-election at the annual general meeting ("AGM"), having regard to the Director's contribution and performance;
- determine annually and as and when circumstances require if a Director is independent;
- recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director;
- annual assessment of the effectiveness of the Board;
- decide whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel; and
- review training and professional development programmes for Board members.

The responsibilities of the NC are to determine the criteria for the appointment of new Directors; to set up a process for the selection of such appointment and to review nominations for the appointment of Directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate who is appointed to the Board.

The NC reviews and recommends to the Board the re-nomination of retiring Directors standing for re-election and appointment of new Directors. The review ensures that the Director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities.

Regulation 107 of the Company's Constitution requires one-third (1/3) of the Directors to retire from office by rotation and subject themselves to re-election by shareholders at the AGM. Every Director must retire from office and submit themselves for re-nomination and re-election at least once every three (3) years. Pursuant to Regulation 107, Mr Tan Chee Khiong Danny and Mr Tan Poh Chye Allan shall retire at the Company's forthcoming AGM and shall be eligible for re-election.

Pursuant to Regulation 117 of the Company's Constitution, any person appointed by the Directors either to fill a casual vacancy or as an additional Director during the year will hold office until the next AGM and shall be eligible for re-election. Therefore, Mr Tang Chee Bian Steven shall retire at the Company's forthcoming AGM and shall be eligible for re-election pursuant to Regulation 117 of the Company's Constitution.

The NC has recommended to the Board that Mr Tan Chee Khiong Danny, Mr Tan Poh Chye Allan and Mr Tang Chee Bian Steven be nominated for re-appointment at the forthcoming AGM.

In recommending the above Directors for re-appointment, the NC has given regard to the results of the Board assessment (please refer to paragraphs under Board Performance regarding assessment of Board performance) in respect of their competencies in fulfilling their responsibilities as Directors to the Board. In respect of the nomination of Mr Tan Chee Khiong Danny and Mr Tang Chee Bian Steven for re-appointment as Directors, the NC took note that Mr Tan Chee Khiong Danny, Mr Tang Chee Wee Andrew and Mr Tang Chee Bian Steven are brothers. The NC has also reviewed the independence of Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre. In assessing their independence, the NC having considered the guidelines set out in the Code, is of the view that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre are independent and there are no relationships identified in the Code which deem them not to be independent. Each Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre have also declared that they are independent.

In its annual review of independence, the NC, having considered the guidelines set out in the Code, is of the view that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre, are independent. The Board, after taking into consideration the views of the NC, is of the view that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre are considered independent.

All Directors are required to declare their board representations. When a Director has multiple board representation, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.The NC has reviewed and is satisfied that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company, notwithstanding their multiple board appointments.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has currently and set the maximum number of listed company board appointments at not more than five (5) listed companies. None of the Directors hold more than five (5) directorships in listed companies.

Key information regarding the Directors, including their present and past three (3) years' directorships in other listed companies and principal commitments are set out below:–

Name of Director	Board Membership	Date of appointment	Date of last re-appointment	Directorships in other listed companies		Principal Commitments
				Current	Past three (3) years	Current
Tan Chee Khiong Danny	Executive Director	10 April 2002	24 June 2016	None	None	–
Tang Chee Wee Andrew	Executive Director	10 April 2002	27 June 2017	None	None	–
Tang Chee Bian Steven	Executive Director	23 March 2018	N.A.	None	None	–

Name of Director	Board Membership	Date of appointment	Date of last re-appointment	Directorships in other listed companies		Principal Commitments
				Current	Past three (3) years	Current
Tan Poh Chye Allan	Lead Independent Director	16 February 2015	26 June 2015	CNMC Goldmine Holdings Limited Algae.tec Limited (listed on ASX)	Adventus Holdings Limited Xyec Limited Avexa Limited (listed on ASX)	Virtus Law LLP JLU Global Ltd (company limited by guarantee)
Lee Eng Yew Michael	Independent Director	26 June 2014	27 June 2017	None	None	iCreate wPlanners Pte. Ltd. Ready Autocare Pte. Ltd. Ready Insure Pte. Ltd. SCash Technologies Pte Ltd Sky Tree Pte Ltd Allwin International Pte Ltd
Gavin Mark McIntyre	Independent Director	22 August 2016	27 June 2017	Anchor Resources Ltd	None	Equitasasia Pte. Ltd. Equitas Financial Services Pte. Ltd Equitasasia Holdings Pte. Ltd Aegis Interaktif Asia Pte. Ltd

There is no alternate Director on the Board.

For the financial year ended 28 February 2018, the NC met on one (1) occasion.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Board through the NC has used its best efforts to ensure that Directors appointed to the Board and Board committees, whether individually or collectively possess the necessary background, experience and knowledge in our industry and relevant geographic areas, and in business and finance and have the appropriate management skills critical to the Company's business. It has also ensured that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board. No external facilitator has been engaged to perform the Board assessment process.

During the financial year ended 28 February 2018, all Directors are requested to complete a Board Assessment Checklist designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The performance criteria for the Board evaluation covers amongst other criteria, composition structure and processes of the Board, access to information, corporate strategy, internal control and risk management and standard of conduct of the Board.

The completed checklists were submitted to the Company Secretary for compilation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement with a view to enhance Board effectiveness.

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The factors taken into consideration for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year including their preparation and participation made by the Directors at the meetings.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are from time to time furnished with complete, adequate information concerning the Group to enable them to be fully cognizant of the decisions and actions of the management. All Directors have unrestricted access to the Company's records and information. The agenda for Board meetings is prepared in consultation with the Chairman. Detailed Board papers are prepared for each meeting of the Board and are normally circulated three (3) days in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. All Independent Directors have access to all levels of senior executives in the Group, and are encouraged to speak to other employees to seek additional information if they so require.

The Board has separate and independent access to the Company Secretary. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board committees and between management and Independent Directors.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual (the "SGX-ST Listing Manual"), are complied with. Her responsibilities also include advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Board takes independent professional advice as and when necessary to enable it or the Independent Directors to discharge its or their responsibilities effectively. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

The cost of such professional advice will be borne by the Company.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Remuneration Committee

The RC comprises three (3) members namely, Mr Tan Poh Chye Allan (Lead Independent Director), Mr Lee Eng Yew Michael (Independent Director) and Mr Gavin Mark McIntyre (Independent Director). The Chairman of the RC is Mr Tan Poh Chye Allan. All the members of the RC are Non-Executive Directors. While none of the members specialises in the area of executive compensation, the RC, where necessary, may have access to independent professional expert advice.

The key terms of reference of the RC includes the following functions:–

(i) make recommendations to the Board a framework of remuneration for the Board and key management personnel of the Group;
(ii) review the specific remuneration packages for each Director (executive, non-executive and independent) as well as for the key management personnel;
(iii) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;
(iv) consider whether Directors, and key management personnel should be eligible for benefits under share schemes and such other long-term incentive schemes as may from time to time be implemented.

The RC is responsible for recommending to the Board, a general framework of remuneration for the Board and key management personnel. The RC reviews and recommends remuneration policies and packages that attract, retain and motivate Directors and key management personnel to run the Company successfully. The review of remuneration packages takes into consideration the longer term interests of the Group and ensures that the interests of the Directors align with those of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' salaries, fees, allowances, bonuses, options, share-based incentive and award and benefits-in-kind. The management is responsible for recommending a framework of remuneration for the key executives to the RC. In reviewing and recommending remuneration policies for the key executives, the management uses various criterias including the aforesaid guidelines. For the financial year ended 28 February 2018, the RC met on one (1) occasion.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

The RC has access to appropriate expert advice inside and/or outside the Company on remuneration of all the Directors. For the financial year ended 28 February 2018, the RC has not consulted any external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of the executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Each member of the RC abstains from voting on any resolutions and making any recommendation and/or participating in discussion regarding his own remuneration package or on matters in which he is interested.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the Directors. The Independent Directors receive Directors' fees, in accordance with their contribution, taking into account factors such as effort and time spent and responsibilities of the Directors. The Directors' fees are recommended by the entire Board for shareholders' approval at each annual general meeting. No Director is involved in deciding his own remuneration.

Mr Tan Chee Khiong Danny, Mr Tang Chee Wee Andrew and Mr Tang Chee Bian Steven are the Executive Directors at present and they do not receive any Director's fees.

Service Agreements

The service agreements ("Service Agreements") with the Executive Directors, namely, Mr Tan Chee Khiong Danny and Mr Tang Chee Wee Andrew had been renewed for a one-year period expiring in April 2019. Mr Tang Chee Bian Steven was appointed as Executive Director of the Company on 23 March 2018 and his service agreement will commence on that day. Service Agreements are renewed annually and may be terminated by either the Company or the Executive Directors, each giving not less than six (6) months' notice in writing. The Company may also terminate the respective Service Agreements if any of these Executive Directors is guilty of dishonesty, or serious or persistent misconduct, becomes bankrupt or otherwise acts to the prejudice of the Company. None of these Executive Directors will be entitled to any benefits upon termination of their respective Service Agreements. The Service Agreements cover the term of employment, specifically salaries and bonuses.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each Executive Director in the process of discharging his duties on behalf of the Group will be borne by the Company.

The Group has in place the Nico Employee Performance Share Plan 2017 (the "Scheme") on the basis that it is important to retain staff whose contributions are essential to the well-being, long-term growth and prosperity of the Group and to give recognition to outstanding employees and directors of the Group who have contributed to the growth of the Group. The Scheme is also designed to align the interest of the employees and directors of the Group with those of shareholders.

The non-executive directors (including independent directors) are included to participate in the Scheme to give them due recognition for their services and contributions to the growth and development of the Group, and further motivate them in their contribution towards the future success of the Group.

There was no award granted under the Scheme since its implementation on 12 October 2017.

The Company currently does not have a formal service contract with the Independent Directors.

The RC is of the view that the remuneration policy and amounts paid to Directors are adequate and are reflective of present market conditions.

The Company does not use contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company will avail itself to remedies in law generally and under the Companies Act against the Executive Directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of each individual Director and the CEO on a named basis.

For confidentiality reasons and prevention of poaching, the Board has deviated from complying with the above recommendation and provide herein below a breakdown, showing the level and mix of each Director's remuneration in bands of S$250,000 for the financial year ended 28 February 2018:–

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Tan Chee Khiong Danny	92.3	–	7.7	–	100.0
Tang Chee Wee Andrew	89.2	4.8	6.0	–	100.0
Tang Chee Bian Steven[1]	–	–	–	–	–
Tan Poh Chye Allan	–	100.0	–	–	100.0
Lee Eng Yew Michael	–	100.0	–	–	100.0
Gavin Mark McIntyre	–	100.0	–	–	100.0
S$250,000 to S$499,999					
Nil					
S$500,000 to S$749,999					
Nil					

Note:
(1) Appointed on 23 March 2018

Guideline 9.3 of the Code recommends that companies should name and disclose the remuneration of at least the top five (5) key management personnel (who are not Directors or the CEO) in bands of S$250,000. In addition, the companies should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five (5) key management personnel.

For confidentiality reason and prevention of poaching, the Board has deviated from complying with the above recommendation. The Company only partially complies with the above recommendation by providing below a breakdown, showing the level and mix of each of the top five (5) management personnel's remuneration (who are not Directors or the CEO) in bands of S$250,000 for the financial year ended 28 February 2018:–

Remuneration Band and Name of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Ong Hock Seng	82.4	–	6.4	11.2	100.0
Wang Lu	93.3	–	6.7	–	100.0
Ng Chin Seng	72.5	–	5.4	22.1	100.0
Phua Kwan Seng	61.5	–	6.8	31.7	100.0
S$250,000 to S$499,999					
Nil	–	–	–	–	–
S$500,000 to S$749,999					
Nil	–	–	–	–	–

The aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO) for the financial year ended 28 February 2018 was S$390,130.

Except as disclosed below, the Group does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$50,000 for the year ended 28 February 2018.

Remuneration Band and Name of any employee Who is an immediate Family member of a Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
S$50,000 and S$99,999					
Ang Bee Choo[1]	93.3	–	6.7	–	100.0

Note:
(1) Spouse of Mr Tan Chee Khiong Danny, Executive Chairman and President of the Company

The profiles of our key executives are found on page 8 of this Annual Report.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board reviews and approves the results as well as any announcements before their release to the SGX-ST and the media. Shareholders are provided with the half-yearly and full year results and annual financial reports on a timely manner. In presenting the annual financial statements and half yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the company's performance, position and prospects. This responsibility is extended to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

To ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Manual, the Board through management reviews the relevant compliance reports and ensured that management seeks the Board's approval of such reports or requirements.

In compliance with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its half-yearly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Management provides the Board with management accounts and such explanation and information on a timely basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. As the Board has separate and independent access to management, the Board has no objection to receiving the management accounts with such explanation and information on a quarterly basis.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board has overall responsibility for the governance of risks to safeguard shareholders' interests and its assets. The Board has engaged the services of a professional firm in respect of internal audit services, under the engagement which the internal controls of the Group are consistently being reviewed and recommendation made to improve the internal controls.

The work of the internal auditors (if audit is conducted) and the report of the external auditors, have enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by management to address the underlying risks.

The AC assists the Board in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to management which comprises the President, the Group Finance Manager and Head of each business division.

The Board has, at least annually review the adequacy and effectiveness of the Group's risk management systems as well as the internal control systems including financial, operational, compliance and information technology controls based on procedures established and maintained by the Group and the reviews by the management.

The Group's financial risk management objectives are discussed under Note 24(b) of the Notes to the Financial Statements on pages 79 to 86 of this Annual Report.

For the financial year ended 28 February 2018, the Board and the AC have received assurance from the President and the Group Finance Manager on the adequacy and effectiveness of the Group's risk management systems as well as the internal control systems in place are adequate and effective in addressing risks identified in its current business environment including financial, operational, compliance and information technology; also the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the Group's internal controls put in place and the procedures established and maintained by the Group, as well as work and review performed by the external auditors, the management, various Board Committees and the Board, the Board with the concurrence of the AC is of the view that the Group's risk management systems and internal control systems in place are adequate and effective in addressing financial, operational, compliance and information technology risks as at 28 February 2018.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The Board did not establish a separate board risk committee as the Board is already currently assisted by the AC and management in carrying out its responsibility of overseeing the Company's risk management framework and policies.

Audit Committee

Principle 12: The Board should ensure an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) members namely, Mr Gavin Mark McIntyre (Independent Director), Mr Tan Poh Chye Allan (Lead Independent Director) and Mr Lee Eng Yew Michael (Independent Director). The Chairman of the AC is Mr Gavin Mark McIntyre. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. Two (2) members of the AC, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience. The AC held two (2) meetings during the financial year ended 28 February 2018. The AC members are kept abreast of any changes to the accounting standards and issues affecting the financials by the external auditors and management at the AC meetings, where appropriate.

The key terms of reference of the AC are:–

(a) to review with the external auditors their audit plan, their evaluation of the system of internal controls, their audit report, their management letter and management's response;

(b) to review the financial statements and statement of financial position and comprehensive income statement before submission to the Board for approval;

(c) to review the internal controls and procedures and ensure co-ordination between the external/internal auditors and the management; and review the assistance given by management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits any matters which the auditors may wish to discuss (in the absence of management where necessary);

(d) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response;

(e) to consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors, and approving the remuneration and terms of engagement of the external auditors;

(f) to review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(g) to review potential conflict of interest, if any;

(h) to undertake such other review and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(i) generally undertake such other functions and duties as may be required by statue or the SGX-ST Listing Manual, or by such amendments as may be made from time to time.

The AC meets with the external auditors without the presence of the management, at least annually. Matters to discuss include the reasonableness of the financial reporting process, the internal control process, the adequacy of resources, audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors and any matters that may be raised.

The AC has reviewed the independence of the external auditors annually. The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors' confirmation of their independence. Please refer to the table below for the aggregate fees paid to the external auditors and breakdown of fees paid in total to audit and non-audit services respectively.

The AC has recommended to the Board the reappointment of Baker Tilly TFW LLP as the Company's external auditors at the forthcoming AGM.

For the financial year ended 28 February 2018	**S$**
– fees payable to the external auditors in respect of audit services	75,000
– fees payable to the external auditors in respect of non-audit services (Tax advisory services)	3,500
Total	78,500

The Company is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

The Company has put in place a whistle blowing policy which has been reviewed, endorsed by the AC and approved by the Board. Under the whistle blowing policy, employees can, in confidence, raise concerns about improper conduct for investigation. The procedures for the whistle blowing policy are made public to the employees of the Group. For the financial year ended 28 February 2018, there were no reported incidents pertaining to whistle blowing.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. Where appropriate, the internal audit function of the Company will be outsourced to a professional accounting firm and will be performed as and when necessary. The internal auditors report primarily on the Chairman of the AC, and have full access to the documents, records properties and personnel including access to the AC.

Where an internal audit is conducted, the AC will review the internal audit program and function to ensure the adequacy and effectiveness of the Group's internal audit function as well as to align it to the changing needs and risk profile of the Group's activities.

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Rule 719(1) of the SGX-ST Listing Manual requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks. Effective internal controls not only refer to financial controls but include, among others, business risk assessment, operational and compliance controls.

The AC has evaluated the need for an internal audit function so as to align it to the changing needs and risk profile of the Group's activities. Based on its evaluation and given the size of the Group's operations, the AC and the Group did not outsource its internal audit function to any third party. However, based on various controls put in place and maintained by the management and the review and work performed by the external auditors, management, the various Board committees, the Board, with the concurrence of the AC, are of the view that there are adequate and effective internal controls in place.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group's corporate governance culture and awareness promote fair and equitable treatment for all shareholders. All shareholders enjoy specific rights under the Companies Act and the Constitution of the Company. All shareholders are treated fairly and equitably.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company. At general meetings, shareholders will be informed of the rules, voting procedures relating to the general meetings.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allow each shareholder to appoint up to two (2) proxies to attend AGMs. The Companies Act now allows corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information will first be disseminated through SGXNET and where relevant, followed by news release and the Company's website. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them.

The Company strives to supply shareholders with reliable and timely information so as to strengthen the relationship with its shareholders based on trust and accessibility.

The Company's finance department also acts as an investor relations function to facilitate the communications with all stakeholders – shareholders, analysts and media, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance.

To enable shareholders to contact the Company easily, the contact details of the company are set out in the contents page of this Annual Report as well as on the Company's website.

The Group does not have a concrete dividend policy at present. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared for the financial year ended 28 February 2018 as the Group intends to conserve cash for future business growth.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the prescribed period. Notice of general meeting is announced through SGXNET and published in the Business Times.

The Company supports active shareholders' participation. If shareholders are unable to attend the general meeting, the Company's Constitution allow a shareholder (not a relevant intermediary pursuant to Section 181(6) of the Companies Act) to appoint up to two (2) proxies to attend and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. These methods of voting are, therefore, currently not available to shareholders.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

At general meetings, all the Directors, chairman of the Board and the respective chairman of the AC, NC and RC as well as the external auditors should be present and available to address shareholders' queries at these meetings.

The Company with the help of the Company Secretary prepares minutes of general meetings that include substantial and relevant comments relating to the agenda of the meetings and responses from the Board and management and such minutes, where relevant will be made available to shareholders upon their written request.

To comply with SGX-ST Listing Manual, the Company has conducted poll voting at all its general meetings held after 1 August 2015. Where a poll is conducted at a general meeting, the detailed voting results of each of the resolutions tabled will be announced at the meeting. The results of the poll voting stating total number of votes cast for or against the resolutions will also be announced after the meeting via SGXNET. The Company has employed electronic polling since the Company's Annual General Meeting held in 2016.

(E) DEALING IN SECURITIES

The Company has adopted an internal compliance code which prohibits the Company, Directors and its officers and their immediate family members from dealing in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year results and ending on the date of the announcement of the results or if they are in possession of unpublished material price-sensitive information of the Group. In addition, Directors and officers are also expected to observe all applicable insider trading laws at all times even when dealing in securities within permitted trading periods. They are also discouraged from dealing in the Company's shares on short-term considerations. Accordingly, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company adopts a set of procedures governing all interested person transactions to ensure that they are carried out on arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders. The Group did not enter into any IPTs during the financial year.

(G) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the President, each Director or Controlling Shareholder, which was either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Corporate Governance Report

ATTENDANCE AT BOARD/AUDIT COMMITTEE/REMUNERATION COMMITTEE/NOMINATING COMMITTEE MEETINGS FY2018

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	2	2	1	1
Number of meetings attended				
Tan Chee Khiong Danny	2	2*	1*	1*
Tang Chee Wee Andrew	2	2*	1*	1*
Tan Poh Chye Allan	2	1	1	1
Lee Eng Yew Michael	2	2	1	1
Gavin Mark McIntyre	2	2	1	1

Note:
* *By invitation*

USE OF PROCEEDS FROM THE ISSUE OF 2.0% REDEEMABLE CONVERTIBLE BONDS ("RCB") DUE 2018 WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO S$50,000,000

As at the date of this Annual Report, the net proceeds from the Company's bond issue have been utilised as follows:

Usage of bond issue proceeds	Net proceeds earmarked for working capital of the Company (S$'000)
Total net proceeds from the initial bond[1]	7,615
Less amount utilised:	
– Repayment of loans to Parot Tovot LLC	(260)
– Repayment of loans to Nico Steel Solutions (S) Pte. Ltd.	(300)
– Repayment of loans to affiliated companies	(340)
– Group's general working capital[2]	(4,365)
– Legal and professional fee in relation to the issuance of RCB	(254)
	2,096

Notes:

(1) Net proceeds from the initial bond issue of S$7,615,000 was after deducting the transactions costs amounting to S$385,000, including the arranger's fee and the legal fee incurred for Value Capital Asset Management Private Limited.

(2) Funds used for the Group's general working capital were for staff costs and other operating costs.

Directors' Statement

The directors hereby present their statement to the members together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 28 February 2018.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 40 to 92 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 28 February 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors in office at the date of this statement are:

Tan Chee Khiong Danny	(Chairman)
Tang Chee Wee Andrew	
Tan Poh Chye Allan	
Lee Eng Yew Michael	
Gavin Mark Mclntyre	
Tang Chee Bian Steven	(Appointed on 23 March 2018)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**
The Company		
Ordinary shares		
Tan Chee Khiong Danny		
– interests held	5,503,725	75,046,925
– deemed interests	21,042,162	21,042,162
Tang Chee Wee Andrew		
– interests held	5,503,725	5,503,725
– deemed interests	20,697,700	20,697,700
Tang Chee Bian Steven		
– interests held	5,515,725	5,515,725
– deemed interests	20,697,700	20,697,700

Directors' Statement

Directors' interest in shares or debentures (cont'd)

By virtue of Section 7 of the Act, Tan Chee Khiong Danny, Tang Chee Wee Andrew and Tang Chee Bian Steven are deemed to have interests in the other subsidiary corporations of the Company, at the beginning and at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 March 2018.

Material contracts

There are no material contracts of the Group and of the Company involving the interests of the Executive Chairman, the Managing Director (both of whom are deemed to be in the position of the Chief Executive Officer), each other director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Share options

No options to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares of the Company or its subsidiary corporations whether granted before or during the financial year issued by virtue of the exercise of options to take up unissued shares.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The Audit Committee comprises three members, all of whom are independent directors. The members of the Audit Committee during the financial year and at the date of this statement are:–

Gavin Mark Mclntyre (Chairman, Independent director)
Tan Poh Chye Allan (Lead independent director)
Lee Eng Yew Michael (Independent director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act. Their functions are detailed in the Report on Corporate Governance.

In performing its functions, the Audit Committee evaluated the Company's internal accounting controls and the procedures established and maintained by the Company, and also met with the Company's independent auditors to discuss the scope of their work and the results of their examination.

Directors' Statement

Audit Committee (cont'd)

The Audit Committee also reviewed the following:

(a) reviewed the independence and objectivity of the external auditor;

(b) reviewed the financial statements of the Company and of the Group for the financial year ended 28 February 2018 and the independent external auditor's report thereon;

(c) reviewed the overall scope of the audit work carried out by the independent external auditor and also met with the independent external auditor to discuss the results of their audit and their evaluation of the internal accounting control system and internal control procedures;

(d) reviewed the overall scope and timing of the work to be carried out by the internal auditors and also met with the internal auditors to discuss the results of their internal audit procedures (if any); and

(e) reviewed interested person transactions.

The Audit Committee is satisfied with the independence and objectivity of the independent auditors and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Tan Chee Khiong Director	Tang Chee Bian Director

31 May 2018

Independent Auditor's Report

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nico Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 40 to 92, which comprise the statements of financial position of the Group and of the Company as at 28 February 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 28 February 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Refer to Notes 3 (i) and 10 to the consolidated financial statements.

Description of key audit matter:

As at 28 February 2018, the carrying amount of property, plant and equipment was US$3,316,124 (2017: US$3,355,114) which represented 17% (2017: 21%) of the Group's total assets.

Management determines at the end of each reporting period the existence of any objective evidence that the Group's property, plant and equipment may be impaired. If there are indicators of impairment, the deficit between the recoverable amount of the property, plant and equipment and its carrying amount would be recognised as impairment loss in profit or loss.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Impairment of property, plant and equipment (cont'd)

The identification of different cash generating units ("CGUs"), assessment of indicators of impairment and where such indicators exist, the determination of the recoverable amounts of the CGUs require judgement. The determination of the recoverable amounts when value-in-use is applicable requires estimates of forecasted revenues, growth rates, profit margins, tax rates and discount rates. The fair value less cost of disposal is estimated by an independent third party valuer based on their knowledge of the CGU and the relevant market.

Our procedures to address the matter:

We assessed the determination of the CGUs and the recoverable amounts of the CGUs based on our understanding of the nature of the Group's business and the economic environment in which its CGUs operate.

For recoverable amount measured based on value-in-use calculation, we reviewed the CGUs' historical performances and held discussions with management to understand their assessment of the future performance of the CGUs. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives. We assessed management's estimates applied in the value-in-use models based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance. We tested the mathematical accuracy of the value-in-use models and evaluated the sensitivity of the outcomes by considering the downside scenarios against changes to the key assumptions.

For recoverable amount measured based on the fair value less cost of disposal as determined by an external valuer, we evaluated the competence and independence of the external valuer to assess whether there were any matters that might have affected their objectivity or may have imposed scope limitation on their work. Considering that the fair value of the CGU has been determined by the external valuer using the direct comparison method, we evaluated the appropriateness of the valuation methodologies and reasonableness of the inputs used by the external valuer. We also compared the fair value against the open market sale transaction prices of similar properties in the vicinity.

We assessed the adequacy of the related disclosures in the notes to the financial statements.

Write down of inventories

Refer to Notes 3 (ii) and 15 to the consolidated financial statements.

Description of key audit matter:

The carrying value of inventories amounted to US$7,931,583 (2017: US$7,263,872) and represented 41% (2017: 45%) of the Group's total assets as at 28 February 2018.

Management determines if the cost of inventories are recoverable by taking into consideration various factors, including ages of the inventories, prevailing market conditions, anticipated selling prices of the inventories and historical experiences. The determination of any write down of inventories to net realisable value requires judgements regarding the industry trend, expected demand and selling prices of the inventories.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Write down of inventories (cont'd)

Our procedures to address the matter:

We assessed management's judgements applied in calculating the value of the inventories written down, taking into consideration historical information. We have also reviewed the aging of the inventories and recent sales transactions. We checked the mathematical accuracy of the write down by reviewing the calculation criteria and also assessed the adequacy of the related disclosures in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Kian Guan.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

31 May 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

	Note	2018 US$	2017 US$
Revenue	4	**13,215,555**	13,292,575
Cost of sales		**(9,767,338)**	(10,705,034)
Gross profit		**3,448,217**	2,587,541
Other income	5	**344,641**	98,791
Distribution expenses		**(176,311)**	(264,716)
Administrative expenses		**(3,251,556)**	(4,177,118)
Results from operating activities		**364,991**	(1,755,502)
Finance costs	6	**(156,020)**	(134,950)
Profit/(loss) before tax	7	**208,971**	(1,890,452)
Tax expense	8	**(144,070)**	(11,894)
Profit/(loss) for the year		**64,901**	(1,902,346)
Other comprehensive income/(loss), net of tax			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**595,048**	(189,169)
Total comprehensive income/(loss) for the year		**659,949**	(2,091,515)
Profit/(loss) attributable to:			
Equity holders of the Company		**34,381**	(1,875,241)
Non-controlling interests		**30,520**	(27,105)
Profit/(loss) for the year		**64,901**	(1,902,346)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**682,492**	(2,095,841)
Non-controlling interests		**(22,543)**	4,326
Total comprehensive income/(loss) for the year		**659,949**	(2,091,515)
Profit/(loss) per share for profit/(loss) for the year attributable to equity holders of the Company (cents per share)	9		
Basic and diluted		**0.01**	(0.83)

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AT 28 FEBRUARY 2018

	Note	Group		Company	
		2018	2017	2018	2017
		US$	US$	US$	US$
ASSETS					
Non-current assets					
Property, plant and equipment	10	**3,316,124**	3,355,114	**–**	–
Intangible assets	11	**3,388**	4,036	**–**	–
Subsidiaries	12	**–**	–	**7,696,767**	7,696,767
Other investment	13	**77,332**	18,178	**77,332**	18,178
Deferred tax assets	14	**121,298**	109,446	**–**	–
Total non-current assets		**3,518,142**	3,486,774	**7,774,099**	7,714,945
Current assets					
Inventories	15	**7,931,583**	7,263,872	**–**	–
Trade and other receivables	16	**5,592,352**	4,263,786	**2,376,659**	1,830,737
Cash and cash equivalents	17	**2,203,790**	1,223,563	**1,231,437**	71,826
Total current assets		**15,727,725**	12,751,221	**3,608,096**	1,902,563
Total assets		**19,245,867**	16,237,995	**11,382,195**	9,617,508
EQUITY AND LIABILITIES					
Equity					
Share capital	18	**13,567,929**	11,365,849	**13,567,929**	11,365,849
Reserves	19	**(829,465)**	(1,592,879)	**–**	–
Accumulated profits/(losses)		**2,301,215**	2,382,137	**(2,465,378)**	(2,044,420)
Equity attributable to owners of the Company		**15,039,679**	12,155,107	**11,102,551**	9,321,429
Non-controlling interests	12	**(660,978)**	(638,435)	**–**	–
Total equity		**14,378,701**	11,516,672	**11,102,551**	9,321,429
Non-current liabilities					
Borrowings	20	**–**	540	**–**	–
Deferred tax liabilities	14	**9,928**	9,928	**–**	–
Total non-current liabilities		**9,928**	10,468	**–**	–
Current liabilities					
Borrowings	20	**2,488,173**	2,039,912	**–**	5,593
Trade and other payables	21	**2,344,301**	2,666,412	**279,029**	290,127
Current tax payable		**24,764**	4,531	**615**	359
Total current liabilities		**4,857,238**	4,710,855	**279,644**	296,079
Total liabilities		**4,867,166**	4,721,323	**279,644**	296,079
Total equity and liabilities		**19,245,867**	16,237,995	**11,382,195**	9,617,508

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

	Attributable to owners of the Company							
	Share capital US$	**Merger reserve US$**	**Currency translation reserve US$**	**Statutory surplus reserve US$**	**Accumulated profits US$**	**Total US$**	**Non-controlling interests US$**	**Total equity US$**
Group								
At 1 March 2017	11,365,849	(2,824,780)	850,663	381,238	2,382,137	12,155,107	(638,435)	11,516,672
Profit for the year	–	–	–	–	34,381	34,381	30,520	64,901
Other comprehensive income/ (loss), net of tax								
Currency translation differences arising from consolidation	–	–	648,111	–	–	648,111	(53,063)	595,048
Total comprehensive income/ (loss) for the year	–	–	648,111	–	34,381	682,492	(22,543)	659,949
Transfer of statutory surplus reserve	–	–	–	115,303	(115,303)	–	–	–
Transactions with owners, recognised directly in equity								
Conversion of shares from convertible bonds (Note 18)	2,202,080	–	–	–	–	2,202,080	–	2,202,080
At 28 February 2018	**13,567,929**	**(2,824,780)**	**1,498,774**	**496,541**	**2,301,215**	**15,039,679**	**(660,978)**	**14,378,701**
At 1 March 2016	8,409,964	(2,824,780)	1,071,263	381,238	4,257,378	11,295,063	(642,761)	10,652,302
Loss for the year	–	–	–	–	(1,875,241)	(1,875,241)	(27,105)	(1,902,346)
Other comprehensive income/ (loss), net of tax								
Currency translation differences arising from consolidation	–	–	(220,600)	–	–	(220,600)	31,431	(189,169)
Total comprehensive (loss)/ income for the year	–	–	(220,600)	–	(1,875,241)	(2,095,841)	4,326	(2,091,515)
Transactions with owners, recognised directly in equity								
Equity-settled commitment fee (Note 18)	177,950	–	–	–	–	177,950	–	177,950
Conversion of shares from convertible bonds (Note 18)	2,777,935	–	–	–	–	2,777,935	–	2,777,935
At 28 February 2017	11,365,849	(2,824,780)	850,663	381,238	2,382,137	12,155,107	(638,435)	11,516,672

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

	2018 US$	(Restated) 2017 US$
Cash flows from operating activities		
Profit/(loss) before tax	**208,971**	(1,890,452)
Adjustments for:		
Depreciation of property, plant and equipment	**235,963**	249,062
Gain on disposal of property, plant and equipment	**(44,588)**	–
Property, plant and equipment written off	**–**	14,418
Amortisation of intangible assets	**1,026**	1,199
Write down of inventories	**–**	459,665
Write-back of impairment on trade receivables	**(11,500)**	–
Impairment loss on trade receivables	**–**	49,019
Interest income from banks	**(965)**	(1,060)
Interest expense	**156,020**	134,950
Fair value gain from financial asset	**(59,154)**	–
Dividend income	**(6,304)**	(198)
Equity-settled commitment fee	**–**	177,950
	479,469	(805,447)
Changes in working capital:		
Inventories	**(667,711)**	593,274
Trade and other receivables	**(1,317,066)**	1,632,507
Trade and other payables	**(328,105)**	(1,480,110)
Secured working capital bank loan	**1,603,750**	(620,517)
Currency translation adjustments	**500,063**	(100,639)
Cash generated from/(used in) operations	**270,400**	(780,932)
Income tax paid, net	**(135,688)**	(26,773)
Interest paid	**(132,997)**	(99,465)
Net cash generated from/(used in) operating activities	**1,715**	(907,170)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**44,588**	–
Purchase of property, plant and equipment	**(54,950)**	(18,755)
Purchase of intangible assets	**(378)**	(258)
Interest received	**965**	1,060
Dividend received	**6,304**	198
Net cash used in investing activities	**(3,471)**	(17,755)
Cash flows from financing activities		
Repayment of non-trade amount due to affiliated companies	**–**	(1,126,325)
Proceeds from issue of redeemable convertible bonds	**2,202,080**	2,813,590
Proceeds from loan from directors	**–**	150,000
Repayment of loan from directors	**–**	(1,074,605)
Repayment of bank loans	**(1,150,000)**	(500,000)
Repayment of finance lease liabilities	**(6,029)**	(23,306)
Interest paid	**(23,023)**	(35,485)
Net cash generated from financing activities	**1,023,028**	203,869
Net increase/(decrease) in cash and cash equivalents	**1,021,272**	(721,056)
Cash and cash equivalents at 1 March	**1,223,563**	1,943,815
Effect of exchange rate fluctuations on cash held	**(41,045)**	804
Cash and cash equivalents at 28 February	**2,203,790**	1,223,563

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

Nico Steel Holdings Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 51 Loyang Way, Singapore 508744.

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. The principal activities of the subsidiaries are set out in Note 12.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are presented in United States dollar (US$), which is the Company's functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

From 1 January 2017, as a result of the amendments to FRS 7 *Statement of Cash Flows (Disclosure Initiative)*, the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 20).

The adoption of these new/revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Group and the Company.

At the date of the statements of financial position, the following FRSs and INT FRSs were issued, revised or amended but not effective and which the Group has not early adopted:

FRS 109: Financial Instruments
FRS 115: Revenue from Contracts with Customers
FRS 116: Leases
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
Amendments to FRS 40: Transfers of Investment Property
Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts
Amendments to FRS 109: Prepayment Features with Negative Compensation
Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures
Improvements to FRSs (December 2016)
INT FRS 122: Foreign Currency Transactions and Advance Consideration
INT FRS 123: Uncertainty over Income Tax Treatments

The Group anticipates that the adoption of these FRSs and INT FRSs (where applicable) in future periods will have no material impact on the financial statements of the Company and the consolidated financial statements of the Group, except as disclosed below:

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS Convergence"), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

Convergence with International Financial Reporting Standards (IFRS) (cont'd)

The Group's financial statements for the financial year ending 28 February 2019 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRSs in Singapore.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have significant impact on the financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt SFRS(I) 15 in its financial statements for the financial year ending 28 February 2019 using the full retrospective approach. As a result, the Group will apply the changes in accounting policies retrospectively to each reporting year presented.

Management has performed a preliminary impact assessment of applying the new standard on the Group's financial statements. Based on the existing sources of revenue as at 28 February 2018, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the year when SFRS(I) 15 becomes effective.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments

SFRS(I) 9 which replaces IAS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace IAS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 at the date of initial application in the opening retained earnings as at 1 March 2018.

(a) Classification and measurement

The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost model under SFRS(I) 9.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables on a 12 months or life time basis. The Group will apply the simplified approach and will record a lifetime expected losses on trade receivables.

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 28 February 2019. The Group is currently finalising the computation of the impact and the quantum of the final transition adjustments.

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing IAS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16 Leases (cont'd)

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of SFRS(I) 16 and plans to adopt the standard on the required effective date.

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

Sale of goods

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

e) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2 Summary of significant accounting policies (cont'd)

e) Property, plant and equipment (cont'd)

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss; any amount in asset revaluation reserve relating to that asset is transferred to retained earnings directly.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Factory buildings	20 – 60 years
Leasehold improvements	5 years
Plant and machinery	10 years
Furniture, fittings and office equipment	5 years
Computers	3 years
Motor vehicles	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

f) Intangible assets

Trademarks and licenses

Acquired trademarks and licences are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2 Summary of significant accounting policies (cont'd)

g) Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2 Summary of significant accounting policies (cont'd)

i) Leases

When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

j) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

2 Summary of significant accounting policies (cont'd)

j) Income taxes (cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments) and "cash and cash equivalents" on the statements of financial position.

Financial assets, available-for-sale

Financial assets, available-for-sale include equity that are non-derivatives and are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

2 Summary of significant accounting policies (cont'd)

k) Financial assets (cont'd)

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in fair value reserve/other comprehensive income, together with the related currency translation differences.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

(v) Impairment

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

2 Summary of significant accounting policies (cont'd)

k) Financial assets (cont'd)

(v) Impairment (cont'd)

Loans and receivables (cont'd)

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

(vi) Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits. Bank overdrafts are presented as current borrowings on the statements of financial position.

2 Summary of significant accounting policies (cont'd)

m) Financial liabilities

Financial liabilities include trade and other payables and borrowings. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

n) Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contracts.

o) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

p) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

q) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

2 Summary of significant accounting policies (cont'd)

r) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

s) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates ('the functional currency'). The financial statements of the Group and the Company are presented in United States dollar, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 Summary of significant accounting policies (cont'd)

s) Foreign currencies (cont'd)

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the date of the statements of financial position;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

t) Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chairman for making decisions about allocating resources and assessing performance of the operating segments.

2 Summary of significant accounting policies (cont'd)

v) Earnings per share ("EPS")

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Impairment of non-financial assets

At each reporting date, the Group and Company assess whether there are any indications of impairment for all non-financial assets. If any such indication exists, the Group and Company estimate the recoverable amount of that asset or the cash-generating unit ("CGU") to which the asset belongs. The identification of CGU, assessment of indicators of impairment and where such indicators exist, the determination of the recoverable amount of the CGU require judgement. An impairment loss exists when the carrying value of an asset (or CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Where value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset (or CGU) and a suitable discount rate in order to determine the present value of the cash flows. Where fair value less cost of disposal are undertaken, management has evaluated and is satisfied that the valuer has appropriate recognised professional qualifications, are competent, used appropriate valuation methodology and has provided estimates which are reflective of current market conditions at the end of each reporting period.

Details of the key assumptions applied in the impairment assessment and the carrying amount of property, plant and equipment are disclosed in Note 10. The carrying amount of the investment in subsidiaries is disclosed in Note 12.

ii) Inventories

Where necessary, write down of inventories to net realisable value is set up for estimated losses where the cost of inventories may not be recoverable. The Group estimates the write down based on the ages of the inventories, prevailing market conditions, anticipated selling prices of the inventories and historical experiences. The required level of write down could change significantly as a result of changes in market conditions. Adjustments to the carrying amount of inventories may be made in future periods in the event that their carrying amounts may not be recoverable resulting from future loss events.

3 Key sources of estimation uncertainty (cont'd)

ii) Inventories (cont'd)

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 15 to the financial statements.

iii) Impairment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables at the end of the reporting period is disclosed in Note 16 to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade receivables and the trade receivables balance at the end of the reporting period will be affected accordingly.

4 Revenue

Revenue represents sale of goods in the normal course of business, net of returns, trade discounts and volume rebates.

5 Other income

	Group	
	2018	**2017**
	US$	**US$**
Exchange gain	**190,346**	–
Dividend income	**6,304**	198
Government grants	**6,735**	10,569
Sales of scrap materials	**–**	26,542
Gain on disposal of property, plant and equipment	**44,588**	–
Interest income from banks	**965**	1,060
Fair value gain from financial assets	**59,154**	–
Others	**36,549**	60,422
	344,641	98,791

6 Finance costs

	Group	
	2018	2017
	US$	US$
Interest expenses:		
– finance lease liabilities	**1,725**	6,696
– bills payable, bank overdraft and bank loans	**154,295**	128,254
	156,020	134,950

7 Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2018	2017
	US$	US$
Staff costs		
Wages and salaries	**1,285,921**	1,277,699
Contributions to defined contribution plans	**81,492**	83,274
Other staff costs	**211,724**	189,889
	1,579,137	1,550,862
Cost of sales		
Cost of inventories included in cost of sales	**9,233,401**	10,533,722
Depreciation of property, plant and equipment	**124,868**	126,164
Other expenses		
Depreciation of property, plant and equipment	**111,095**	122,898
Write down of inventories	**–**	459,665
Amortisation of intangible assets	**1,026**	1,199
Impairment loss on trade receivables	**–**	49,019
Property, plant and equipment written off	**–**	14,418
Directors' fees	**91,050**	151,790
Operating lease expense	**246,533**	237,967
Audit services		
– auditor of the Company*	**54,957**	54,306
– other auditors	**14,671**	14,390
Non-audit services		
– auditor of the Company*	**2,571**	2,473
– other auditors	**1,346**	1,425
Exchange loss	**–**	59,940
Equity–settled commitment fee	**–**	177,950
Write-back of impairment of trade receivables	**(11,500)**	–

* Include independent member firms of the Baker Tilly International Network.

8 Tax expense

	Group 2018 US$	Group 2017 US$
Tax recognised in profit or loss		
Current tax expense		
Current year	**145,272**	71,362
Over provision for prior years	**(951)**	(5,914)
	144,321	65,448
Deferred tax expense		
Origination and reversal of temporary difference (Note 14)	**(251)**	(53,554)
Tax expense	**144,070**	11,894
Reconciliation of effective tax rate		
Profit/(loss) before tax	**208,971**	(1,890,452)
Tax calculated using Singapore tax rate of 17% (2017: 17%)	**35,525**	(321,377)
Effect of different tax rates in other countries	**101,328**	(8,801)
Expenses not deductible for tax purposes	**77,258**	146,455
Income not subject to tax	**(1,180)**	–
Over provision for prior years	**(951)**	(5,914)
Deferred tax assets not recognised	**–**	203,673
Utilisation of previously unrecognised tax losses	**(55,894)**	–
Tax incentives	**(44)**	(1,597)
Others	**(11,972)**	(545)
	144,070	11,894

9 Profit/(loss) per share

Basic and diluted profit/(loss) per share are calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2018 US$	2017 US$
Net profit/(loss) attributable to equity holders of the Company	**34,381**	(1,875,241)
Weighted average number of ordinary shares outstanding for basic and diluted profit/(loss) per share	**629,650,194**	226,943,292
Basic and diluted profit/(loss) per share (cents per share)	**0.01**	(0.83)

Basic profit/(loss) per share is calculated by dividing the profit/(loss) for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year. As at the end of the respective financial year, diluted profit/(loss) per share is similar to basic profit/(loss) per share as there is no dilutive potential ordinary shares.

10 Property, plant and equipment

	Factory buildings US$	Leasehold improvements US$	Plant and machinery US$	Furniture, fittings and office equipment US$	Computers US$	Motor vehicles US$	Construction work-in-progress US$	Total US$
Group								
Cost								
At 1 March 2016	3,500,076	209,663	2,319,242	115,936	245,317	623,409	–	7,013,643
Additions	13,863	–	1,816	1,537	1,539	–	–	18,755
Write-off	–	–	(44,364)	–	(805)	–	–	(45,169)
Effect of movements in exchange rates	(89,934)	(3,153)	(82,528)	(3,378)	(2,317)	(6,203)	–	(187,513)
At 28 February 2017	3,424,005	206,510	2,194,166	114,095	243,734	617,206	–	6,799,716
Additions	–	–	215	1,385	1,358	–	51,992	54,950
Disposal	–	–	–	–	–	(233,986)	–	(233,986)
Effect of movements in exchange rates	155,187	12,754	163,507	8,121	5,938	27,140	–	372,647
At 28 February 2018	**3,579,192**	**219,264**	**2,357,888**	**123,601**	**251,030**	**410,360**	**51,992**	**6,993,327**
Accumulated depreciation and impairment loss								
At 1 March 2016	695,624	187,778	1,544,919	100,659	233,144	562,344	–	3,324,468
Depreciation for the year	104,088	11,931	112,817	3,940	3,602	12,684	–	249,062
Write-off	–	–	(29,946)	–	(805)	–	–	(30,751)
Effect of movements in exchange rates	(29,501)	(3,301)	(55,630)	(3,004)	(2,073)	(4,668)	–	(98,177)
At 28 February 2017	770,211	196,408	1,572,160	101,595	233,868	570,360	–	3,444,602
Depreciation for the year	104,668	5,857	107,936	2,738	2,333	12,431	–	235,963
Disposal	–	–	–	–	–	(233,986)	–	(233,986)
Effect of movements in exchange rates	57,575	12,308	124,856	7,116	5,227	23,542	–	230,624
At 28 February 2018	**932,454**	**214,573**	**1,804,952**	**111,449**	**241,428**	**372,347**	**–**	**3,677,203**
Carrying amount								
At 28 February 2017	2,653,794	10,102	622,006	12,500	9,866	46,846	–	3,355,114
At 28 February 2018	**2,646,738**	**4,691**	**552,936**	**12,152**	**9,602**	**38,013**	**51,992**	**3,316,124**

10 Property, plant and equipment (cont'd)

	Computers US$	Motor vehicles US$	Total US$
Company			
Cost			
At 28 February 2017	1,112	233,986	235,098
Disposal	–	(233,986)	(233,986)
At 28 February 2018	**1,112**	**–**	**1,112**
Accumulated depreciation			
At 28 February 2017	1,112	233,986	235,098
Disposal	–	(233,986)	(233,986)
At 28 February 2018	**1,112**	**–**	**1,112**
Carrying amount			
At 28 February 2017 and 28 February 2018	–	–	–

The factory building with carrying amount of US$1,442,387 (2017: US$1,469,348) is mortgaged to a bank to secure banking facilities of the Group (Note 20).

As at the reporting date, the carrying amount of photocopier held under finance lease arrangements of the Group amounted US$707 (2017: US$986).

Assessment for impairment

At the reporting date, the Group is profit making, but there are subsidiaries that continue to operate at losses. In view of the impairment indicator, an assessment of the recoverable amount of its property, plant and equipment was performed.

For the purpose of the Group's impairment assessment, the Group had identified the following CGUs:

Country of operations	**CGU**	**Carrying amount 2018 US$**	**Carrying amount 2017 US$**
Singapore and Malaysia	1	**1,547,287**	1,594,969
People's Republic of China	2	**1,755,973**	1,730,762
Thailand	3	**16,252**	29,383

Based on management's impairment assessment, the recoverable amounts of CGU 1 and CGU 2 are determined based on fair value less cost of disposal and value-in-use calculation respectively (2017: value-in-use). No impairment test was performed for CGU 3 as the carrying amount of property, plant and equipment was not significant.

10 Property, plant and equipment (cont'd)

Assessment for impairment (cont'd)

Key assumptions used in fair value less cost of disposal and value-in-use calculation

CGU 1

In 2018, the fair value less cost of disposal of CGU 1 is measured based on an independent desktop valuation obtained from a third party valuer who used direct comparison method, whereby comparisons based on sales transactions of comparable properties with similar location, size, age, layout and design are analysed. This fair value measurement is categorised as Level 3 of the fair value hierarchy as it is not based on observable market data (unobservable inputs) to determine the fair value of the assets. As a result of the review, the recoverable amount of CGU 1 measured based on fair value less cost of disposal is higher than its carrying amount. Hence, there is no impairment loss to be recognised in profit or loss.

In 2017, the recoverable amount was determined based on value-in-use calculation, which uses discounted cash flow projections which take into account management's assessment of (i) revenue growth and gross profit margin for a five years period; (ii) pre-tax discount rate of 13.6% estimated based on industry average weighted-average cost of capital; and (iii) a terminal value growth rate of 0% from 2022. Based on the above value-in-use calculation, there is no impairment loss recognised in 2017.

CGU 2

The recoverable amount was determined based on value-in-use calculation, which uses discounted cash flow projections which take into account management's assessment of (i) revenue growth and gross profit margin for a five years period; (ii) pre-tax discount rate of 15.54% (2017: 16.3%) estimated based on industry average weighted-average cost of capital; and (iii) a terminal value growth rate of 3% from 2023 (2017: Nil from 2022). Based on the above value-in-use calculation, there is no impairment loss to be recognised in profit or loss (2017: Nil).

Sensitivity to changes in assumptions

For CGU 1, the estimated recoverable amount exceeded its carrying amount by approximately US$96,000 as at 28 February 2017. Management has identified revenue growth and gross profit margins as key assumptions for which a reduction of 3% in revenue growth from the second to the fifth year or a decrease in the gross profit margin by 1% would lead to carrying amount exceeding the recoverable amount.

With regards to the assessment of value in use for CGU 2, management believes that the change in the estimated recoverable amount from any reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be materially lower than the carrying amount of the CGU.

11 Intangible assets

	Patents US$	Trademarks US$	Total US$
Cost			
At 1 March 2016	28,201	18,846	47,047
Additions	258	–	258
At 28 February 2017	28,459	18,846	47,305
Additions	378	–	378
At 28 February 2018	**28,837**	**18,846**	**47,683**
Accumulated amortisation			
At 1 March 2016	24,467	17,603	42,070
Amortisation for the year	970	229	1,199
At 28 February 2017	25,437	17,832	43,269
Amortisation for the year	850	176	1,026
At 28 February 2018	**26,287**	**18,008**	**44,295**
Carrying amount			
At 28 February 2017	3,022	1,014	4,036
At 28 February 2018	**2,550**	**838**	**3,388**

12 Subsidiaries

	2018 US$	2017 US$
Unquoted equity shares, at cost		
At 1 March	**7,829,357**	7,829,357
Written off during the year	**(708)**	–
	7,828,649	7,829,357
Allowance for impairment loss	**(131,882)**	(132,590)
At 28 February	**7,696,767**	7,696,767
Movement of allowance for impairment loss:		
At 1 March	**132,590**	66,000
Charge during the financial year	**–**	66,590
Written off during the year	**(708)**	–
At 28 February	**131,882**	132,590

12 Subsidiaries (cont'd)

(a) Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ Place of business	Effective equity held by the Group 2018 %	2017 %
[1] Nico Steel Solutions (S) Pte Ltd	Provision of metal slitting services and import and export trading	Singapore	**100**	100
[2] Nico Steel Centre (Thailand) Co., Ltd	Provision of ferrous and non-ferrous raw materials in strip-in coils for the stamping and metal fabricating industries	Thailand	**100**	100
[3] Nico Steel Solutions (Suzhou) Pte Ltd	Provision of metallurgical solutions and metal slitting services for local market in China	People's Republic of China	**100**	100
[3] Nico Steel Centre (Suzhou) Co., Ltd	Provision of metallurgical solutions and metal slitting services for export oriented customers in China	People's Republic of China	**100**	100
[3] Nico Steel Technology (Suzhou) Co., Ltd	Provision of electro-plating process, material surface treatment and chemistry blending for electronic products	People's Republic of China	**80**	80
[4] Nico Steel Solutions (M) Sdn Bhd	Dormant	Malaysia	**100**	100
[5] Nico Trading Solutions Pte. Ltd.	Dormant	Singapore	**–**	100
[5] Nico SIP Trading Company Limited	Provision of ferrous and non-ferrous raw materials for metal and plastic fabricating industries including import and export trading and distribution	People's Republic of China	**100**	100

(1) Audited by Baker Tilly TFW LLP, Singapore.

(2) Audited by Sukhum International Audit Co., Ltd., a member of the Institute of Certified Accountants and Auditors of Thailand.

(3) Audited by Suzhou Fangben Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants for statutory audit purposes and by Baker Tilly China Certified Public Accountants for consolidation purposes.

Nico Steel Centre (Suzhou) Co., Ltd, Nico Steel Solutions (Suzhou) Pte Ltd and Nico Steel Technology (Suzhou) Co., Ltd are foreign enterprises established in the People's Republic of China on 31 December 2001, 27 May 2003 and 16 October 2007 respectively for a term of 50 years.

(4) Audited by CSY & Associates, a member of the Malaysian Institute of Accountants.

(5) Not required to be audited under the law of country of incorporation.

12 Subsidiaries (cont'd)

(b) Significant restrictions

Cash and cash equivalents of US$737,573 (2017: US$621,320) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

(c) Summarised financial information of subsidiary with material non-controlling interest ("NCI")

The following summarises the financial information of the Group's subsidiary with material non-controlling interests, based on its financial statements prepared in accordance with FRSs, adjusted for differences in the Group's accounting policies.

	Nico Steel Technology (Suzhou) Co., Ltd	
	2018	**2017**
	US$	**US$**
NCI percentage	**20%**	20%
Revenue	**1,149,185**	839,357
Profit/(loss) for the year	**152,600**	(135,525)
Other comprehensive (loss)/income	**(265,315)**	157,155
Total comprehensive (loss)/income	**(112,715)**	21,630
Attributable to NCI:		
Profit/(loss) for the year	**30,520**	(27,105)
Other comprehensive (loss)/income	**(53,063)**	31,431
Total comprehensive (loss)/income	**(22,543)**	4,326
Non-current assets	**137,287**	98,991
Current assets	**697,794**	305,139
Current liabilities	**(4,139,974)**	(3,596,303)
Net liabilities	**(3,304,893)**	(3,192,173)
Net liabilities attributable to NCI	**(660,978)**	(638,435)
Cash flows generated from operating activities	**31,237**	35,631
Cash flows used in investing activities	**(49,359)**	(1,866)
Net (decrease)/increase in cash and cash equivalents	**(18,122)**	33,765

(d) The Company has struck off Nico Trading Solutions Pte. Ltd., a wholly owned subsidiary on 12 May 2017. Accordingly, the cost of investment in this subsidiary amounting to US$708 is fully written off.

(e) In 2017, the Company has applied to wind up a wholly owned subsidiary, Nico Steel Solutions (M) Sdn Bhd. The cost of investment in this subsidiary amounting to US$65,882 was fully impaired in the previous year.

This subsidiary has been dissolved on 9 April 2018.

13 Other investment

	Group and Company	
	2018	2017
	US$	US$
Available-for-sale quoted equity securities	**77,332**	18,178

The above equity securities are re-measured at fair value categorised as Level 1 in the fair value hierarchy, with quoted prices in active markets for identical assets or liabilities.

14 Deferred tax assets/(liabilities)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018	2017	2018	2017
	US$	US$	US$	US$
Group				
Property, plant and equipment	**–**	–	**(9,928)**	(9,928)
Inventories	**120,080**	108,300	**–**	–
Trade and other payables	**1,218**	1,146	**–**	–
Deferred tax assets/(liabilities)	**121,298**	109,446	**(9,928)**	(9,928)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Movement in temporary differences during the year:

	Balance as at 1 March 2016	Recognised in profit or loss (Note 8)	Exchange differences	Balance as at 28 February 2017	Recognised in profit or loss (Note 8)	Exchange differences	Balance as at 28 February 2018
	US$	US$	US$	US$	US$	US$	US$
Group							
Deferred tax assets							
Inventories	53,010	53,770	1,520	108,300	–	11,780	**120,080**
Trade and other payables	1,335	(216)	27	1,146	(251)	323	**1,218**
	54,345	53,554	1,547	109,446	(251)	12,103	**121,298**
Deferred tax liabilities							
Property, plant and equipment	(9,928)	–	–	(9,928)	–	–	**(9,928)**
	44,417	53,554	1,547	99,518	(251)	12,103	**111,370**

14 Deferred tax assets/(liabilities) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2018 US$	2017 US$
Tax losses	**4,328,000**	4,443,000
Write down of inventories	**1,320,000**	1,215,000

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. Tax losses of US$2,156,000 (2017: US$2,833,000) arising in certain foreign tax jurisdictions have an expiry period of 5 years.

Unrecognised temporary differences relating to investments in subsidiaries

At 28 February 2018, temporary differences of US$4,106,000 (2017: US$3,762,000) related to undistributed earnings of certain investments in subsidiaries were not recognised because the Company is able to control the timing of the reversal of the temporary differences and is satisfied that the temporary differences will not reverse in the foreseeable future.

15 Inventories

	Group	
	2018 US$	2017 US$
Raw materials	**2,340,848**	2,403,622
Finished goods	**5,590,735**	4,860,250
	7,931,583	7,263,872

Raw materials and finished goods recognised as cost of sales amounted to US$9,233,401 (2017: US$10,533,722).

As at reporting date, the inventories are stated after write down of inventories to net realisable value of US$2,274,985 (2017: US$2,111,690). The write down of inventories to net realisable value amounting to Nil (2017: US$459,665) is included in administrative expenses in the statement of profit or loss.

16 Trade and other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Trade receivables	**5,267,426**	4,022,155	**–**	–
Non-trade amounts due from subsidiaries	**–**	–	**2,342,675**	1,813,728
Deposits	**84,564**	77,314	**–**	–
Other receivables	**93,188**	133,637	**–**	200
	5,445,178	4,233,106	**2,342,675**	1,813,928
Impairment losses	**(198,276)**	(190,413)	**–**	–
	5,246,902	4,042,693	**2,342,675**	1,813,928
Prepayments	**345,450**	221,093	**33,984**	16,809
	5,592,352	4,263,786	**2,376,659**	1,830,737

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

The Group and the Company's exposures to credit and currency risks, and impairment losses related to trade receivables are disclosed in Note 24.

17 Cash and cash equivalents

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Cash at banks	**2,173,266**	1,210,340	**1,231,437**	71,826
Cash in hand	**30,524**	13,223	**–**	–
	2,203,790	1,223,563	**1,231,437**	71,826

18 Share capital

	2018		2017	
	Number of issued shares	**Issued share capital US$**	**Number of issued shares**	**Issued share capital US$**
Balance at beginning of financial year	**497,620,722**	**11,365,849**	126,814,447	8,409,964
Equity-settled commitment fee	**–**	**–**	10,416,666	177,950
Cancellation of ordinary shares erroneously allotted	**(5,454,546)**	**–**	–	–
Conversion of shares from convertible bonds	**1,419,999,999**	**2,202,080**	360,389,609	2,777,935
Balance at end of financial year	**1,912,166,175**	**13,567,929**	497,620,722	11,365,849

18 Share capital (cont'd)

In 2017, there was an over-allotment of 5,454,546 new ordinary shares. The Company has rectified its shareholders' register and its total issued share capital with the relevant authorities for the over-allotment of 5,454,546 ordinary shares during the financial year. The resultant share capital of the Company after rectification is 492,166,176 shares.

During the financial year, the Company issued further three sub-tranches of the Tranche 1 Bonds for a total of SGD3,000,000 to the subscriber.

The bondholders had opted to exercise their right to convert the Tranche 1 Bonds in the principal amount of SGD3,000,000 (including SGD50,000 from FY2017), in accordance with the terms and subject to the conditions of the Subscription Agreement. Pursuant to the said conversions, 1,419,999,999 conversion shares were issued to the bondholders.

As at 28 February 2018, included in trade and other payables is SGD50,000 (2017: SGD50,000) of the Tranche 1 Bonds has yet to be converted.

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.

19 Reserves

	Group	
	2018	**2017**
	US$	**US$**
Merger reserve	**(2,824,780)**	(2,824,780)
Currency translation reserve	**1,498,774**	850,663
Statutory surplus reserve	**496,541**	381,238
	(829,465)	(1,592,879)

Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the "pooling of interests" method of accounting.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

Statutory surplus reserve

According to the relevant People's Republic of China ("PRC") regulations, certain subsidiaries are required to transfer 10% of profit after taxation, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the Company's registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners.

20 Borrowings

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Non-current liability				
Secured				
Finance lease liabilities	**–**	540	**–**	–
Current liabilities				
Secured				
Bank loan A	**–**	1,150,000	**–**	–
Bank loan B	**2,487,574**	883,824	**–**	–
Finance lease liabilities	**599**	6,088	**–**	5,593
	2,488,173	2,039,912	**–**	5,593
Total borrowings	**2,488,173**	2,040,452	**–**	5,593

Bank loans

(i) Bank loan A has been fully repaid during the year. The Group's property at 51 Loyang Way is mortgaged to a bank to secure banking facilities of the Group and is guaranteed by the Company (Note 10).

(ii) Bank loan B is secured against trade receivables in China amounting to US$3,253,527 (2017: US$2,393,462) and is guaranteed by the Company.

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

	Bank loans US$	Bond payables* US$	Finance lease liabilities US$	Total US$
Balance at 1 March 2017	1,150,000	36,316	6,628	1,192,944
Changes from financing cash flows:				
– Repayments	(1,150,000)	–	(6,029)	(1,156,029)
– Interest paid	(21,298)	–	(1,725)	(23,023)
– Proceeds from issue of redeemable convertible bonds	-	2,202,080	-	2,202,080
Non-cash changes:				
– Currency translation differences	–	2,145	–	2,145
– Interest expense	21,298	–	1,725	23,023
– Conversion of shares from convertible bonds	–	(2,202,080)	–	(2,202,080)
Balance at 28 February 2018	**–**	**38,461**	**599**	**39,060**

* Included in Note 21 Trade and other payables, other payables.

20 Borrowings (cont'd)

Finance lease liabilities

At the end of the reporting period, the Group's finance lease liabilities are payable as follows:

	2018			2017		
	Future minimum lease payments US$	**Interest US$**	**Principal US$**	**Future minimum lease payments US$**	**Interest US$**	**Principal US$**
Group						
Within one year	**645**	**46**	**599**	7,813	1,725	6,088
Between one and five years	**–**	**–**	**–**	581	41	540
	645	**46**	**599**	8,394	1,766	6,628
Company						
Within one year	**–**	**–**	**–**	7,198	1,605	5,593

Terms and conditions of outstanding borrowings are as follows:

			2018		2017	
	Nominal interest rate %	**Year of maturity**	**Fair value US$**	**Carrying amount US$**	**Fair value US$**	**Carrying amount US$**
Group						
USD floating rate loan A	1.5% above prevailing 3 months Cost of Funds	2018	**–**	**–**	1,150,000	1,150,000
RMB floating rate loan B	SIBOR + 2.15% per annum	2018	**2,487,574**	**2,487,574**	883,824	883,824
Finance lease liabilities	2.8% to 6.95%	2018-2019	**645**	**599**	8,394	6,628
			2,488,219	**2,488,173**	2,042,218	2,040,452
Company						
Finance lease liabilities	2.8%	2018	**–**	**–**	7,198	5,593

21 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Trade payables	**561,412**	826,410	**–**	–
Non-trade amounts due to subsidiaries	**–**	–	**47,817**	47,817
Loan from directors	**34,634**	30,787	**20,968**	18,911
Bills payable	**520,726**	772,375	**–**	–
Accrued operating expenses	**281,064**	357,929	**155,406**	179,508
Other payables	**946,465**	678,911	**54,838**	43,891
	2,344,301	2,666,412	**279,029**	290,127

Non-trade amounts due to subsidiaries and loan from directors are unsecured, interest-free and repayable on demand.

The weighted average effective interest rate of bills payable of the Group at the end of the reporting period is 2.90% (2017: 2.27%) per annum. Bills payable are guaranteed by the Company.

The Group and the Company's exposures to currency and liquidity risks related to trade and other payables are disclosed in Note 24.

22 Contingent liabilities

Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of bank loans and bills payable amounting to US$3,008,300 (2017: US$2,806,199) to secure funding provided to subsidiaries. The financial guarantees will expire when the borrowings have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries. These financial guarantees are accounted for as insurance contracts.

There are no terms and conditions attached to the financial guarantees that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows. At reporting date, the Company does not consider that it is probable that a claim will be made against the Company under these financial guarantees. Accordingly, the Company does not expect any net cash outflows resulting from these financial guarantees and there is no provision made in respect of these obligations.

23 Commitments

a) Capital commitment

Capital commitment not provided for in the financial statements:

	Group	
	2018	2017
	US$	US$
Capital commitment in respect of property, plant and equipment	**98,750**	–

b) Operating lease commitments

Leases as lessee

The Group leases various factory and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between 1 to 19 years, varying terms and renewal options. No restrictions are imposed on dividends or further leasing.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are as follows:

	Group	
	2018	2017
	US$	US$
Within one year	**245,384**	216,158
Between one and five years	**126,781**	207,547
More than five years	**–**	19,633
	372,165	443,338

24 Financial instruments

a) Categories of financial instruments

The carrying amounts of financial assets and liabilities are as follows:

	Loans and receivables US$	Available-for-sale financial assets US$	Other financial liabilities at amortised cost within scope of FRS 39 US$	Other financial liabilities outside scope of FRS 39 US$	Total carrying amount US$
Group					
2018					
Financial asset measured at fair value					
Other investment	**–**	**77,332**	**–**	**–**	**77,332**
Financial assets not measured at fair value					
Trade and other receivables*	5,246,902	–	–	–	5,246,902
Cash and cash equivalents	2,203,790	–	–	–	2,203,790
	7,450,692	**–**	**–**	**–**	**7,450,692**
Financial liabilities not measured at fair value					
Bank loans	–	–	(2,487,574)	–	(2,487,574)
Finance lease liabilities	–	–	–	(599)	(599)
Trade and other payables	–	–	(2,344,301)	–	(2,344,301)
	–	**–**	**(4,831,875)**	**(599)**	**(4,832,474)**
2017					
Financial asset measured at fair value					
Other investment	–	18,178	–	–	18,178
Financial assets not measured at fair value					
Trade and other receivables*	4,042,693	–	–	–	4,042,693
Cash and cash equivalents	1,223,563	–	–	–	1,223,563
	5,266,256	–	–	–	5,266,256
Financial liabilities not measured at fair value					
Bank loans	–	–	(2,033,824)	–	(2,033,824)
Finance lease liabilities	–	–	–	(6,628)	(6,628)
Trade and other payables	–	–	(2,666,412)	–	(2,666,412)
	–	–	(4,700,236)	(6,628)	(4,706,864)

24 Financial instruments (cont'd)

a) Categories of financial instruments (cont'd)

The carrying amounts of financial assets and liabilities are as follows (cont'd):

	Loans and receivables US$	Available-for-sale financial assets US$	Other financial liabilities at amortised cost within scope of FRS 39 US$	Other financial liabilities outside scope of FRS 39 US$	Total carrying amount US$
Company					
2018					
Financial asset measured at fair value					
Other investment	**–**	**77,332**	**–**	**–**	**77,332**
Financial assets not measured at fair value					
Trade and other receivables*	2,342,675	–	–	–	2,342,675
Cash and cash equivalents	1,231,437	–	–	–	1,231,437
	3,574,112	**–**	**–**	**–**	**3,574,112**
Financial liabilities not measured at fair value					
Trade and other payables	**–**	**–**	**(279,029)**	**–**	**(279,029)**
2017					
Financial asset measured at fair value					
Other investment	–	18,178	–	–	18,178
Financial assets not measured at fair value					
Trade and other receivables*	1,813,928	–	–	–	1,813,928
Cash and cash equivalents	71,826	–	–	–	71,826
	1,885,754	–	–	–	1,885,754
Financial liabilities not measured at fair value					
Finance lease liabilities	–	–	–	(5,593)	(5,593)
Trade and other payables	–	–	(290,127)	–	(290,127)
	–	–	(290,127)	(5,593)	(295,720)

* *Excludes prepayments*

24 Financial instruments (cont'd)

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

– credit risk
– liquidity risk
– market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's trade receivables comprise 5 debtors (2017: 4 debtors) that individually represented 4% – 8% (2017: 5% – 11%) of the trade receivables.

The Company has significant credit risk exposures arising on amounts due from subsidiaries of US$2,342,675 (2017: US$1,813,728) which represented 99% (2017: 99%) of total trade and other receivables.

The carrying amount of financial assets in the statement of financial position and corporate guarantees provided to banks for the subsidiaries' bank borrowings represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held and guarantees issued by third party insurance companies. The Group and the Company do not hold any collateral in respect of its financial assets. At the end of the reporting period, US$925,708 (2017: US$3,281,133) of trade receivables are insured by these third party insurance companies.

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

The maximum exposure to credit risk at the reporting date was:

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**US$**	**US$**	**US$**	**US$**
Trade and other receivables*	16	**5,246,902**	4,042,693	**2,342,675**	1,813,928
Cash and cash equivalents	17	**2,203,790**	1,223,563	**1,231,437**	71,826
Corporate guarantees provided to banks for the subsidiaries' bank borrowings	22	**–**	–	**3,008,300**	2,806,199
		7,450,692	5,266,256	**6,582,412**	4,691,953

* *Excludes prepayments*

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has a credit policy in place which establishes credit limits for all customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit quality of customers is assessed after taking into account its financial position and past experience with customers.

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Exposure to credit risk

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Group	
	2018	**2017**
	US$	**US$**
Singapore	**60,410**	16,708
PRC	**4,536,354**	3,556,817
Malaysia	**81,413**	7,151
Thailand	**389,986**	245,328
Others	**987**	5,738
	5,069,150	3,831,742

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

The ageing of trade receivables that were not impaired at the reporting date was:

	2018	2017
	US$	US$
Group		
Past due 0 – 30 days	**254,347**	180,542
Past due 31 – 120 days	**35,134**	57,151
Past due 121 – 365 days	**481**	68,457
Past due more than one year	**70,640**	–
	360,602	306,150

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment loss are as follows:

	Group	
	2018	**2017**
	US$	**US$**
Gross amount:		
Past due more than one year	**198,276**	190,413
Less: Allowance for impairment loss	**(198,276)**	(190,413)
	–	–

Movement in allowance for impairment loss:

	US$	**US$**
At 1 March	**190,413**	140,503
Impairment loss recognised in profit or loss	**–**	49,019
Write-back	**(11,500)**	–
Currency translation difference	**19,363**	891
At 28 February	**198,276**	190,413

The Group and the Company believes that the unimpaired amounts that are past due are still collectible, based on historic payment behaviour, extensive analyses of customer credit risk, including underlying customers' credit ratings, and guarantees provided by insurance companies, where available.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due. Trade receivables that are past due but not impaired relate to customers that have good payment records with the Group.

Cash and bank balances

Cash at banks are placed with banks and financial institutions which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Liquidity risk (cont'd)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		Contractual undiscounted cash flows		
	Carrying amount US$	**Total US$**	**Within 1 year US$**	**Within 2 to 5 years US$**
Group				
2018				
Non-derivative financial liabilities				
Bank loans	**2,487,574**	**2,639,068**	**2,639,068**	**–**
Finance lease liabilities	**599**	**645**	**645**	**–**
Trade and other payables	**2,344,301**	**2,359,423**	**2,359,423**	**–**
	4,832,474	**4,999,136**	**4,999,136**	**–**
2017				
Non-derivative financial liabilities				
Bank loans	2,033,824	2,115,498	2,115,498	–
Finance lease liabilities	6,628	8,394	7,813	581
Trade and other payables	2,666,412	2,683,908	2,683,908	–
	4,706,864	4,807,800	4,807,219	581
Company				
2018				
Non-derivative financial liabilities				
Trade and other payables	**279,029**	**279,029**	**279,029**	**–**
2017				
Non-derivative financial liabilities				
Finance lease liabilities	5,593	7,198	7,198	–
Trade and other payables	290,127	290,127	290,127	–
	295,720	297,325	297,325	–

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases, staff cost and other administrative expenses that are denominated in a currency other than the respective functional currencies of Group entities, which are United States (US) dollar, Thai Baht and Chinese Yuan. The currencies in which these transactions are primarily denominated in Singapore dollar and US dollar.

Exposure to currency risk

The Group and Company's exposures to various foreign currencies are as follows:

	2018		2017	
	Singapore dollar US$	US dollar US$	Singapore dollar US$	US dollar US$
Group				
Trade and other receivables	**61,564**	**2,273,031**	58,228	1,794,302
Cash and cash equivalents	**1,268,152**	**454,090**	280,901	267,221
Borrowings	**–**	**–**	(5,593)	(1,150,000)
Trade and other payables	**(232,373)**	**(715,927)**	(252,573)	(3,421,536)
Net exposure	**1,097,343**	**2,011,194**	80,963	(2,510,013)

	2018 Singapore dollar US$	2017 Singapore dollar US$
Company		
Trade and other receivables	**1,176,835**	670,895
Cash and cash equivalents	**1,231,102**	71,491
Borrowings	**–**	(5,593)
Trade and other payables	**(193,868)**	(215,825)
Net exposure	**2,214,069**	520,968

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar and US dollar, against the respective functional currencies of the Group entities at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Group Increase/ (decrease) in profit/(loss) US$	Company Increase/ (decrease) loss US$
2018		
Singapore dollar	109,735	(221,407)
US dollar	201,119	–
	310,854	**(221,407)**
2017		
Singapore dollar	(8,096)	(52,097)
US dollar	251,001	–
	242,905	(52,097)

A 10% weakening of the Singapore dollar and US dollar against the respective functional currencies of the Group entities at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Group Nominal amount 2018 US$	Group Nominal amount 2017 US$
Fixed rate instruments		
Finance lease liabilities	**599**	6,628
Bills payable	**520,726**	772,375
	521,325	779,003
Variable rate instruments		
Variable interest rate bank loans	**2,487,574**	2,033,824

24 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/(decreased) profit or loss by the amounts shown below. The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates. The analysis is performed on the same basis for 2017.

	Profit or loss	
	100 bp increase US$	**100 bp decrease US$**
Group		
2018		
Variable rate instruments	**(24,876)**	**24,876**
2017		
Variable rate instruments	(20,338)	20,338

c) Fair values

The carrying amounts of non-derivative financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

25 Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Group and the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and senior management staff of the Group and the Company are considered as key management personnel.

25 Related party transactions (cont'd)

Key management personnel compensation, included in staff costs comprised:

	Group	
	2018	**2017**
	US$	**US$**
Short-term employee benefits	**495,335**	510,458
Post-employment benefits	**46,610**	48,845
	541,945	559,303

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2018	**2017**
	US$	**US$**
Remuneration including contribution to defined contribution plans paid to close member of the family of an executive director	**252,287**	248,210

26 Operating 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 Group's Chairman (the chief operating decision maker) reviews internal management reports of each business unit at least on a monthly basis. 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 below. Performance is measured based on segment profit or loss before tax, as included in the internal management reports that are reviewed by the Group's Chairman. Segment profit or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

26 Operating segments (cont'd)

Information about reportable segments

	Coil Centre US$	Plating US$	Others US$	Total US$
2018				
Revenue and expenses				
External revenue	13,212,197	3,358	–	13,215,555
Inter-segment revenue	–	1,145,827	–	1,145,827
Total revenue of reportable segments	**13,212,197**	**1,149,185**	**–**	**14,361,382**
Interest income	225,210	47	–	225,257
Finance costs	(248,156)	(130,500)	(1,656)	(380,312)
Depreciation and amortisation	(215,910)	(21,079)	–	(236,989)
Reportable segment profit/(loss) before tax	479,084	152,600	(422,713)	208,971
Tax expense	(143,418)	–	(652)	(144,070)
Reportable segment profit/(loss) after tax	**335,666**	**152,600**	**(423,365)**	**64,901**
Other segment assets	14,600,673	835,080	3,608,096	19,043,849
Other investment	–	–	77,332	77,332
Intangible assets	3,388	–	–	3,388
Deferred tax assets	121,298	–	–	121,298
Total assets	**14,725,359**	**835,080**	**3,685,428**	**19,245,867**
Capital expenditure	2,958	51,992	–	54,950
Other segment liabilities	4,083,120	518,141	231,213	4,832,474
Current tax payable	23,922	227	615	24,764
Deferred tax liabilities	9,928	–	–	9,928
Total liabilities	**4,116,970**	**518,368**	**231,828**	**4,867,166**

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

26 Operating segments (cont'd)

Information about reportable segments (cont'd)

	Coil Centre US$	Plating US$	Others US$	Total US$
2017				
Revenue and expenses				
External revenue	13,289,375	3,200	–	13,292,575
Inter-segment revenue	–	836,157	–	836,157
Total revenue of reportable segments	13,289,375	839,357	–	14,128,732
Interest income	108,922	26	6	108,954
Finance costs	172,181	63,467	7,196	242,844
Depreciation and amortisation	224,946	25,315	–	250,261
Reportable segment loss before tax	(826,378)	(135,522)	(928,552)	(1,890,452)
Tax expense	(15,483)	–	3,589	(11,894)
Reportable segment loss after tax	(841,861)	(135,522)	(924,963)	(1,902,346)
Other material non-cash items:				
Write down of inventories	459,665	–	–	459,665
Impairment loss on trade receivables	49,019	–	–	49,019
Equity-settled commitment fee	–	–	177,950	177,950
Other segment assets	15,637,573	404,132	64,630	16,106,335
Other investment	–	–	18,178	18,178
Intangible assets	4,036	–	–	4,036
Deferred tax assets	109,446	–	–	109,446
Total assets	15,751,055	404,132	82,808	16,237,995
Capital expenditure	16,939	1,816	–	18,755
Other segment liabilities	4,052,924	403,972	249,968	4,706,864
Current tax payable	4,035	137	359	4,531
Deferred tax liabilities	9,928	–	–	9,928
Total liabilities	4,066,887	404,109	250,327	4,721,323

26 Operating segments (cont'd)

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

	Group 2018 US$	Group 2017 US$
Revenue		
Total revenue for reportable segments	**14,361,382**	14,128,732
Elimination of inter-segment revenue	**(1,145,827)**	(836,157)
Consolidated revenue	**13,215,555**	13,292,575
Profit/(loss) before tax		
Total profit/(loss) before tax for reportable segments	**361,571**	(2,025,974)
Elimination of inter-segment profits	**(152,600)**	135,522
Consolidated profit/(loss) before tax	**208,971**	(1,890,452)
Tax expense	**(144,070)**	(11,894)
Consolidated profit/(loss) after tax	**64,901**	(1,902,346)

	Reportable segment total US$	Adjustments US$	Consolidated totals US$
Other material items			
2018			
Interest income*	**225,257**	**(224,292)**	**965**
Finance costs*	**380,312**	**(224,292)**	**156,020**
Depreciation and amortisation	**236,989**	**–**	**236,989**
2017			
Interest income*	108,954	(107,894)	1,060
Finance costs*	242,844	(107,894)	134,950
Depreciation and amortisation	250,261	–	250,261
Write down of inventories	459,665	–	459,665
Impairment loss on trade receivables	49,019	–	49,019
Equity-settled commitment fee	177,950	–	177,950

* *Exclude intercompany items*

26 Operating segments (cont'd)

Geographical segment

The principal activity of the Company is that of an investment holding company. Subsidiaries of the Company are located in Singapore, People's Republic of China ("PRC"), Malaysia 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 US$	PRC US$	Malaysia US$	Thailand US$	Others US$	Total US$
2018						
Revenue from external customers	221,107	10,831,966	278,256	1,779,376	104,850	**13,215,555**
Non-current assets	1,547,287	1,755,973	–	16,252	–	**3,319,512**
2017						
Revenue from external customers	95,634	10,370,511	54,604	2,453,716	318,110	13,292,575
Non-current assets	1,599,005	1,730,762	–	29,383	–	3,359,150

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

Major customers

Revenue of US$970,982 (2017: US$1,311,712) are derived from one external customer (2017: one external customer) who individually contributed 7% (2017: 10%) or more of the Group's revenue and are attributable to the Group's Coil Centre segment.

27 Comparative figures

Prior year reclassification has been made to reclassify secured working capital bank loan and its interest expenses from financing activities to operating activities to better reflect the nature of the transaction.

The comparative figures have been restated as follows:

	As previously reported US$	Reclassifications US$	As restated US$
2017			
Consolidated Statement of Cash Flows			
Net cash used in operating activities	(187,188)	(719,982)	(907,170)
Net cash generated from financing activities	(516,113)	719,982	203,869

The reclassification did not have any effect on the statements of financial position and consolidated statement of profit or loss and other comprehensive income for the financial year ended 28 February 2017.

28 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and accumulated profits of the Group. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interests' share and statutory surplus reserve. There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

As disclosed in Note 19, the Group's subsidiaries in the People's Republic of China are required to contribute to and maintain a non-distributable statutory surplus reserve.

	Group	
	2018	**2017**
	US$	**US$**
Net operating income	**364,991**	(1,755,502)
Equity attributable to the equity holders of the Company	**15,039,679**	12,155,107
Less: Statutory surplus reserve (Note 19)	**(496,541)**	(381,238)
Total net equity	**14,543,138**	11,773,869
Return on capital ratio	**0.03**	N.M.

N.M.: not meaningful

29 Event after the reporting period

Subsequent to the financial year ended 28 February 2018, in respect of the Redeemable Convertible Bonds:

(i) The Company issued the eighth sub-tranche of the Tranche 1 Bonds, with an aggregate principal amount of SGD1,000,000; and

(ii) The bondholders converted the Tranche 1 Bonds with an aggregate principal amount of SGD350,000 (including SGD50,000 from FY2018) into a total of 350,000,000 conversion shares. The principal value of Bonds that has been issued but yet to be converted into the Company's shares amounted to SGD700,000 as at the date of the financial statements.

Following the allotment and issuance of the conversion shares, the issued and paid-up ordinary shares of the Company has increased to US$13,834,334, comprising 2,262,166,175 ordinary shares, as at the date of the financial statements.

30 Authorisation of financial statements

The financial statements of the Group for the financial year ended 28 February 2018 were authorised for issue in accordance with a resolution of the directors dated 31 May 2018.

Shareholders' Statistics

AS AT 17 MAY 2018

SHARE CAPITAL

Class of shares	:	Ordinary shares
Number of Shares	:	1,912,166,175
Voting Rights	:	One (1) vote per share
Treasury Shares	:	Nil

Based on the information available to the Company as at 17 May 2018, the percentage of shareholding held in the hands of the public is approximately 88.46% which is more than 10% of the issued share capital of the Company. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

Analysis of Shareholders

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	3	0.23	150	0.00
100 – 1,000	35	2.72	17,498	0.00
1,001 – 10,000	210	16.30	1,209,500	0.06
10,001 – 1,000,000	847	65.76	240,003,399	12.55
1,000,001 and above	193	14.99	1,670,935,628	87.39
	1,288	100.00	1,912,166,175	100.00

Substantial Shareholder

Name of Substantial Shareholder	Shareholdings registered in the name of substantial shareholder		Shareholdings in which the substantial shareholders are deemed to be interested	
	No. of Shares	%	No. of Shares	%
Xu Lei	108,000,000	5.65	–	–

Note:

(1) Xu Lei's direct interest is derived from the shares held in the name of nominee account.

Shareholders' Statistics

AS AT 17 MAY 2018

MAJOR SHAREHOLDERS LIST– TOP 22

NO.	NAME	NO. OF SHARES	%
1	ABN AMRO CLEARING BANK N.V.	182,622,100	9.55
2	PHILLIP SECURITIES PTE LTD	109,090,200	5.71
3	CITIBANK NOMINEES SINGAPORE PTE LTD	108,530,000	5.68
4	TAN CHEE KHIONG	75,046,925	3.92
5	DBS VICKERS SECURITIES (S) PTE LTD	56,176,528	2.94
6	HL BANK NOMINEES (S) PTE LTD	55,000,000	2.88
7	TAN BO RONG	53,100,000	2.78
8	DBS NOMINEES PTE LTD	51,568,000	2.70
9	ZHOU YI	44,700,000	2.34
10	TOH KAI SENG	40,755,000	2.13
11	PAROT TOVOT LLC	36,000,000	1.88
12	UOB KAY HIAN PTE LTD	34,374,100	1.80
13	LIM & TAN SECURITIES PTE LTD	31,190,000	1.63
14	LEE SWEE LING	30,000,000	1.57
15	KANG KOK HOCK	26,500,000	1.39
16	OCBC SECURITIES PRIVATE LTD	23,593,250	1.23
17	CHAN HORNG DER	23,000,000	1.20
18	RAFFLES NOMINEES (PTE) LTD	21,029,800	1.10
19	D.S.A.G INVESTMENT PTE. LTD.	20,697,700	1.08
20	NG LI NA (HUANG LINA)	20,000,000	1.05
21	TAN GIOK LIAN	20,000,000	1.05
22	TAY KIM CHAI JOHNSON	20,000,000	1.05
		1,082,973,603	56.66

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth annual general meeting of **NICO STEEL HOLDINGS LIMITED** (the "Company") will be held at Napier Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on 26 June 2018 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 28 February 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to regulation 107 of the Company's Constitution:

   Mr Tan Chee Khiong Danny **(Resolution 2)**

   Mr Tan Poh Chye Allan **(Resolution 3)**

   [See explanatory Note (i)]

3. To re-elect Mr Tang Chee Bian Steven, a Director retiring pursuant to regulation 117 of the Company's Constitution. **(Resolution 4)**

4. To approve the payment of Directors' fees of S$120,310 for the financial year ended 28 February 2018 (2017: S$142,397). **(Resolution 5)**

5. To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as ordinary resolution:

7. **Authority to issue new shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
[See explanatory Note (ii)] **(Resolution 7)**

By Order of the Board

Sharon Yeoh
Company Secretary

Singapore, 8 June 2018

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Tan Poh Chye Allan, if re-elected, will remain as member of the Company's Audit Committee and Nominating Committee and will also continue to remain as Chairman of the Remuneration Committee. Mr Tan Poh Chye Allan will be considered as an independent Director of the Company.

(ii) The ordinary resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this ordinary resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this ordinary resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the annual general meeting. A proxy need not be a member of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the annual general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 51 Loyang Way, Singapore 508744 not less than forty-eight (48) hours before the time appointed for holding the annual general meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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NICO STEEL HOLDINGS LIMITED
(Incorporated In the Republic of Singapore)
(Company Registration No.: 200104166D)

PROXY FORM
(Please see notes overleaf before completing this form)

IMPORTANT:
1. A relevant intermediary may appoint more than two (2) proxies to attend the annual general meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy share in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's notice of annual general meeting.

*I/We, ____________________ NRIC/Passport/Co. Registration No. ____________

of ____

being a member/members of NICO STEEL HOLDINGS LIMITED (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak or vote for *me/us on *my/our behalf at the annual general meeting (the "**Meeting**") of the Company to be held at Napier Room 502, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on 26 June 2018 at 2.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Voting would be conducted by poll. Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 28 February 2018		
2.	Re-election of Mr Tan Chee Khiong Danny as a Director		
3.	Re-election of Mr Tan Poh Chye Allan as a Director		
4.	Re-election of Mr Tang Chee Bian Steven as a Director		
5.	Approval of Directors' fees amounting to S$120,310 for the year ended 28 February 2018		
6.	Re-appointment of Messrs Baker Tilly TFW LLP as Auditors		
7.	Authority to issue new shares		

**Delete where inapplicable*

Dated this __________ day of __________________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of shareholder(s)/
and, common seal of corporate shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the Meeting.

3. Where a member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   a. a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   b. a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   c. Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   You are entitled to appoint one (1) or more proxies to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming Meeting.

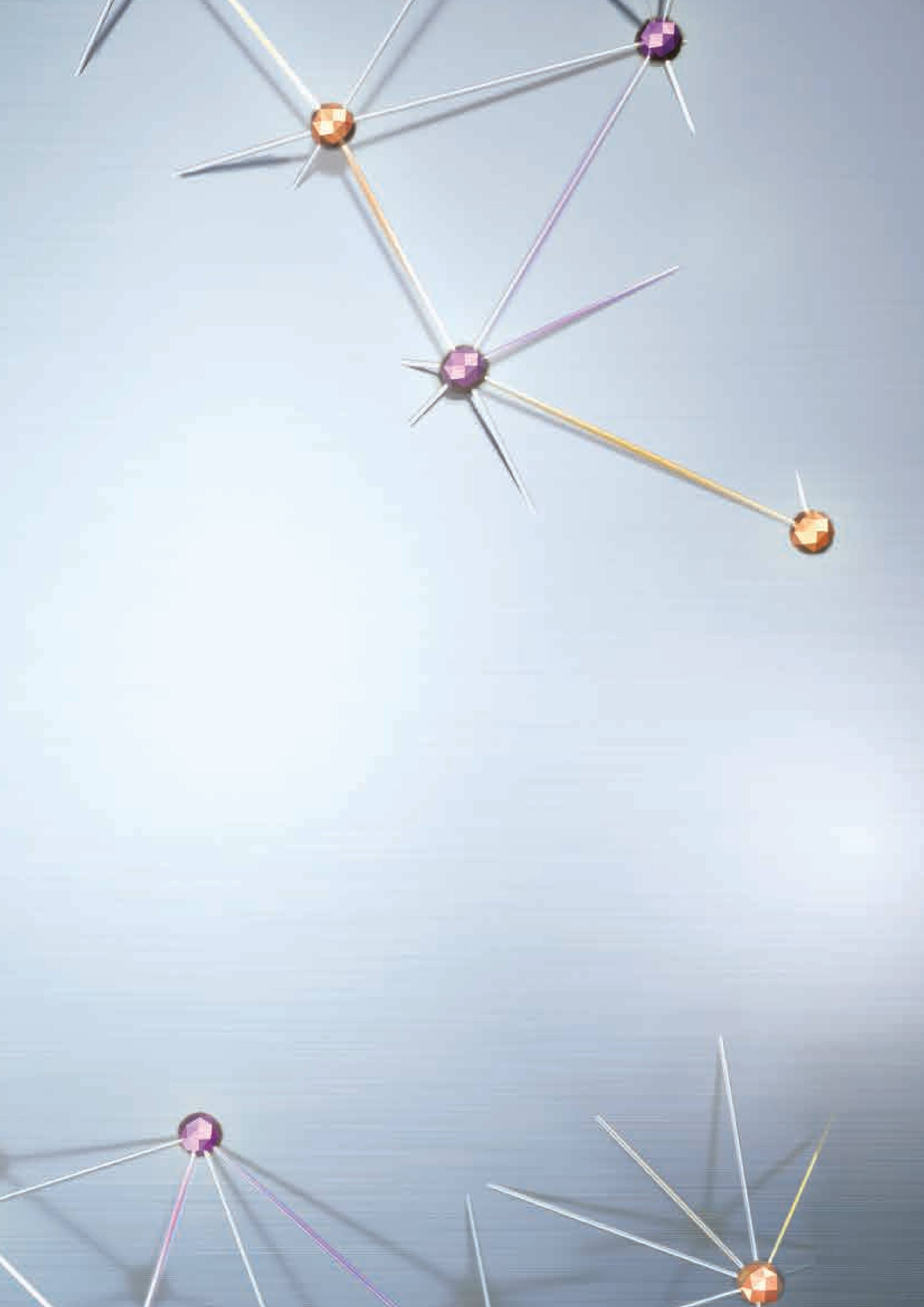
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 51 Loyang Way, Singapore 508744 not less than 48 hours before the time appointed for the Meeting.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority or a duly certified copy thereof shall (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the Company's registered office at 51 Loyang Way Singapore 508744 not less than 48 hours before the time for holding the Meeting or adjourned meeting, failing which the instrument of proxy shall not be treated as valid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



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Think Innovation

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