

Half Year Financial Statement And Related Announcement for the period ended 31 August 2017
**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED INCOME STATEMENT

(Amount expressed in thousands of United States dollar ("USD"))

	Group		Increase/ (Decrease) %
	HY2018	HY2017	
	USD'000	USD'000	
Revenue	6,135	7,207	(15%)
Cost of sales	(4,602)	(5,655)	(19%)
Gross profit	1,533	1,552	(1%)
Other income	284	36	689%
Distribution expenses	(102)	(150)	(32%)
Administrative expenses	(1,624)	(2,045)	(21%)
Results from operating activities	91	(607)	n.m
Finance costs	(42)	(51)	(18%)
Profit/ (loss) before income tax	49	(658)	n.m
Income tax (expenses)/credit	(17)	10	n.m
Profit/ (loss) for the period	32	(648)	n.m
Profit/ (loss) attributable to:			
Owners of the Company	1	(638)	n.m
Non-controlling interests	31	(10)	n.m
	32	(648)	n.m

Note:

n.m denotes not meaningful

Half Year Financial Statement And Related Announcement for the period ended 31 August 2017
1(b) Consolidated Statement of Comprehensive Income for half year ended 31 August 2017 and 31 August 2016.

	Group		
	HY2018 USD'000	HY2017 USD'000	Increase %
Profit/ (loss) for the period	32	(648)	n.m
Other comprehensive income/ (loss) for the period			
Translation differences relating to financial statements of foreign subsidiaries	266	(60)	n.m
Total comprehensive income/ (loss) for the period	298	(708)	n.m
Total comprehensive income/ (loss) attributable to:			
Owners of the Company	204	(712)	n.m
Non-controlling interests	94	4	2250%
	298	(708)	

Note:

n.m denotes not meaningful

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Notes:

Profit/ (loss) before tax is arrived at after charging / (crediting) the following items:

	Group	
	<u>HY2018</u>	<u>HY2017</u>
	USD'000	USD'000
Amortisation of intangible assets	1	1
Depreciation of property, plant and equipment	119	116
Gain on disposal of property, plant and equipment	(45)	-
Foreign exchange (gain) /loss	(92)	127
Interest expense	42	52
Interest income	(1)	(1)
Key management remuneration included in staff costs	282	297
Operating lease expenses	119	124
Staff costs	<u>758</u>	<u>821</u>

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1(c)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

(Amounts expressed in thousands of United States dollar (“USD”))

	Group		Company	
	As at 28 31/08/2017 USD'000	As at 28/02/2017 USD'000	As at 31/08/2017 USD'000	As at 28/02/2017 USD'000
Non-current assets				
Property, plant and equipment	3,309	3,355	-	-
Investment in subsidiaries	-	-	7,697	7,697
Long-term investments	18	18	18	18
Intangible assets	4	4	-	-
Deferred tax assets	115	109	-	-
	<u>3,446</u>	<u>3,486</u>	<u>7,715</u>	<u>7,715</u>
Current assets				
Inventories	7,664	7,264	-	-
Trade and other receivables	4,163	4,263	1,960	1,831
Cash at banks and in hand	1,937	1,224	405	72
	<u>13,764</u>	<u>12,751</u>	<u>2,365</u>	<u>1,903</u>
Total assets	<u>17,210</u>	<u>16,237</u>	<u>10,080</u>	<u>9,618</u>
Equity				
Share capital	12,087	11,366	12,087	11,366
Reserves	(1,390)	(1,593)	-	-
Accumulated profits/(losses)	2,384	2,383	(2,284)	(2,044)
Equity attributable to owners of the Company	13,081	12,156	9,803	9,322
Non-controlling interests	(545)	(639)	-	-
Total equity	<u>12,536</u>	<u>11,517</u>	<u>9,803</u>	<u>9,322</u>
Non-current liabilities				
Financial liabilities	1	1	-	-
Deferred tax liabilities	10	10	-	-
	11	11	-	-
Current liabilities				
Trade and other payables	1,647	1,857	241	253
Bill payables	285	772	-	-
Bond payables	36	36	36	36
Financial liabilities	2,696	2,040	-	6
Current tax payable	(1)	4	-	1
	<u>4,663</u>	<u>4,709</u>	<u>277</u>	<u>296</u>
Total liabilities	<u>4,674</u>	<u>4,720</u>	<u>277</u>	<u>296</u>
Total equity and liabilities	<u>17,210</u>	<u>16,237</u>	<u>10,080</u>	<u>9,618</u>

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1(c)(ii) Aggregate amount of group's borrowings and debt securities.

	Group	
	As at 31/08/2017	As at 28/02/2017
	USD'000	USD'000
Amounts repayable in one year or less, or on demand		
Secured bank loans	2,695	2,034
Obligations under hire purchase	1	6
	<u>2,696</u>	<u>2,040</u>
Amounts repayable after one year		
Obligations under hire purchase	1	1
	<u>1</u>	<u>1</u>

Details of any collateral

- Secured bank loans are secured against trade receivables in China, amounting to USD 2,630,582 (28 February 2017: USD 2,393,462), and is guaranteed by the Company.
- USD 650,000 secured bank loan is secured by the mortgage over the property at 51 Loyang Way and is guaranteed by the Company.
- As at 31 August 2017, the net book value of property, plant and equipment for the Group held under hire purchase arrangements were USD 855 (28 February 2017: USD 986).

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1(d) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED CASH FLOWS STATEMENT

(Amounts expressed in thousands of United States dollars (“USD”))

	Group	
	HY2018 USD'000	HY2017 USD'000
Operating activities		
Profit/ (loss) before income tax	49	(658)
Adjustments for:		
Depreciation of property, plant and equipment	119	116
Amortisation of intangible assets	1	1
Gain on disposal of property, plant and equipment	(45)	-
Bad debts written off	-	2
Interest expense	42	52
Dividend income	(1)	-
Interest income from banks	(1)	(1)
Equity-settled commitment fees	-	178
Operating cash flows before working capital changes	164	(310)
Changes in working capital:		
Inventories	(401)	(243)
Trade and other receivables	101	(58)
Trade and other payables	(212)	542
Bill payables	(488)	(1,111)
Currency translation adjustments	213	(71)
Cash used in operations	(623)	(1,251)
Income taxes (paid)/ received, net	(28)	50
Cash flows used in operating activities	(651)	(1,201)
Investing activities		
Interest received	1	1
Dividend received	1	-
Purchase of property, plant and equipment	(2)	(17)
Proceeds from disposal of property, plant and equipment	44	-
Purchase of intangible assets	(1)	(1)
Cash flows generated from/ (used in) investing activities	43	(17)

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	Group	
	HY2018 USD'000	HY2017 USD'000
Financing activities		
Interest paid	(42)	(52)
Repayment of bank loans	-	(598)
Proceeds from bank loans	661	-
Repayment of loan from directors	-	(121)
Repayment of finance lease liabilities	(5)	(12)
Proceeds from issue of redeemable convertible bonds	723	713
Cash flows generated from / (used in) financing activities	1,337	(70)
Net increase/ (decrease) in cash and cash equivalents	729	(1,288)
Cash and cash equivalents at beginning of the period	1,224	1,944
Effect of exchange rate fluctuations on cash held	(16)	17
Cash and cash equivalents at end of the period	1,937	673

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

	Group	
	As at 31/08/17 USD'000	As at 31/08/16 USD'000
Cash and bank balances	1,937	678
Bank overdraft (unsecured)	-	(5)
Cash and cash equivalents at end of the period	1,937	673

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1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 (Amounts expressed in thousands of United States dollars (“USD”))

	<u>Share capital</u>	<u>Merger deficit</u>	<u>Currency translation reserve</u>	<u>Statutory surplus reserve</u>	<u>Accumulated profits</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<u>The Group</u>	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 March 2016	8,410	(2,825)	1,071	381	4,258	11,295	(643)	10,652
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(638)	(638)	(10)	(648)
Other comprehensive income/(loss)								
Foreign currency translation differences	-	-	(74)	-	-	(74)	14	(60)
	-	-	(74)	-	(638)	(712)	4	(708)
Transactions with owners, recognised directly in equity								
Issue of ordinary shares related to redeemable convertible bonds	854	-	-	-	-	854	-	854
At 31 Aug 2016	9,264	(2,825)	997	381	3,620	11,437	(639)	10,798
<u>The Group</u>								
At 1 March 2017	11,366	(2,825)	851	381	2,383	12,156	(639)	11,517
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1	1	31	32
Other comprehensive income								
Foreign currency translation differences	-	-	203	-	-	203	63	266
	-	-	203	-	1	204	94	298
Transactions with owners, recognised directly in equity								
Issue of ordinary shares related to redeemable convertible bonds	721	-	-	-	-	721	-	721
At 31 Aug 2017	12,087	(2,825)	1,054	381	2,384	13,081	(545)	12,536

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STATEMENT OF CHANGES IN EQUITY
(Amounts expressed in thousands of United States dollars (“USD”))

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
<u>The Company</u>	USD'000	USD'000	USD'000
At 1 Mar 2016	8,410	(1,121)	7,289
Loss and total comprehensive loss for the period	-	(610)	(610)
Issue of ordinary shares related to redeemable convertible bonds	854	-	854
At 31 Aug 2016	9,264	(1,731)	7,533
At 1 Mar 2017	11,366	(2,044)	9,322
Loss and total comprehensive loss for the period	-	(240)	(240)
Issue of ordinary shares related to redeemable convertible bonds	721	-	721
At 31 Aug 2017	12,087	(2,284)	9,803

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- 1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

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	50,000,000	S\$0.010
	Conversion of part of fifth sub-tranche under Tranche 1 Bonds issued on 13 June 2017		
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

As at 28 February 2017, SGD 50,000 of the fourth sub-tranche under Tranche 1 Bonds has yet to be converted. As at 31 August 2017, SGD 50,000 of the fifth sub-tranche under Tranche 1 Bonds has yet to be converted.

- 1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	No of shares ('000)	
	As at 31/08/2017	As at 28/02/2017
Number of issued shares	<u>592,166</u>	<u>497,621</u>

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There were no treasury shares as at 31 August 2017 and 28 February 2017.

1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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

These figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation for the current financial period compared with those of the audited financial statements for the year ended 28 February 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period compared to the audited financial statements for the year ended 28 February 2017 except for the adoption of the Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are mandatory for the financial year beginning on or after 1 March 2017. The adoption of these FRSs and INT FRSs has no significant impact to the Group and the Company.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>HY2018</u> USD'000	<u>HY2017</u> USD'000
Net profit/ (loss) for the period attributable to owners of the Company	1	(638)
	No of shares ('000)	
	<u>HY2018</u>	<u>HY2017</u>
Weighted average number of ordinary shares during the period	534,394	176,833
Profit/ (loss) per share (US cents) - basic and diluted	<u>0.00</u>	<u>(0.36)</u>

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7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and /
(b) immediately preceding financial year.

	Group		Company	
	As at 31/08/2017 USD'000	As at 28/02/2017 USD'000	As at 31/08/2017 USD'000	As at 28/02/2017 USD'000
Net assets	<u>12,536</u>	<u>11,517</u>	<u>9,803</u>	<u>9,322</u>
Net asset value per ordinary share based on the existing issued share capital as at the respective period (US cents)	<u>2.1</u>	<u>2.3</u>	<u>1.7</u>	<u>1.9</u>

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors;

REVIEW OF RESULTS OF OPERATIONS

REVENUE

Breakdown of Group's Revenue by Product Categories

	HY2018		HY2017	
	USD'000	% of revenue	USD'000	% of revenue
Revenue from:				
Commercial Metal Alloys	1,382	22.5	1,458	20.2
Customised Metal Alloys	3,249	53.0	4,433	61.5
NICO Branded Materials	1,504	24.5	1,316	18.3
Total	6,135	100.0	7,207	100.0

Revenue of the Group decreased by 14.9% to USD 6.1 million in HY 2018 as compared to USD 7.2 million in the corresponding period ended 31 August 2016, HY 2017. The decrease was mainly due to the Group continued focusing on producing Nico Branded Materials for its customers.

Despite the reduction in the overall Group's revenue, the Group has been continuing made better progress in HY 2018 to promote NICO Branded Materials. The revenue arising from the sales of this product accounted for 24.5% of the Group's total revenue in HY 2018 compared to 18.3% of the Group's total revenue in HY 2017.

Geographically, the PRC remained as the key revenue driver in HY 2018, contributing 83.0% of the Group's total revenue, as compared to 76.7% in HY 2017. Thailand contributed 13.5% to the Group's revenue in HY 2018, as compared to 18.1% in HY 2017.

GROSS PROFIT MARGIN

Despite the decrease in overall Group's revenue, the Group's gross profit margin has increased from 21.5% in HY 2017 to 25.0% in HY 2018. The improvement was mainly attributable to (i) the higher gross margin derived from the sales of NICO Branded Materials; (ii) the Group's effort to develop the new plating project with higher margins with new and existing customers; and (iii) the Group's continued focus on higher margin value added segment.

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OTHER INCOME

Other income increased by 688.9% from USD 36,000 in HY 2017 to USD 284,000 in HY 2018. The increase was mainly attributable to (i) Group's sales of scrap metal amounting to USD 138,000 in HY 2018; and (ii) the Group has recognized an exchange gain of USD 92,000 in HY 2018 due to the movement in market exchange rates.

DISTRIBUTION, ADMINISTRATIVE, OTHER OPERATING AND FINANCE EXPENSES

Distribution costs decreased 32.0% from USD 150,000 in HY 2017 to USD 102,000 in HY 2018. The decrease was in line with the reduction of overall revenue.

Administrative expenses decreased by 20.0% from USD 2.0 million in HY 2017 to USD 1.6 million in HY 2018. The decrease was mainly contributed by an overall decrease in staff costs and tighter cost control measures implemented by the Group to minimize administrative expenses.

Finance costs decreased by 17.6% from USD 51,000 in HY 2017 to USD 42,000 in HY 2018. The decrease was mainly due to the prompt repayment of bill payables of a subsidiary in Singapore in HY 2018.

Tax expenses increased to amount of USD 17,000 in HY 2018 from positive status of tax expenses in HY 2017. The increase was due to some subsidiaries of the Group made profit in HY 2018. The effective tax rate of the Group was estimated at 34.7% which is higher than the statutory tax rate of the Group's profit make subsidiaries. The high effective tax rate was mainly due to the losses incurred by certain subsidiaries within the Group which decreased the overall Group's profits before tax.

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

USE OF PROCEEDS - BOND ISSUE	Amount S\$'000	Amount S\$'000
Net Proceeds from the Initial Bond#		4,744
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*	2,430	
Legal and professional fee in relation to RCB issued	193	
Total usage of proceeds		(3,523)
Balance of Net Proceeds		1,221

Net Proceeds from the Initial Bond of SGD 4,744,000 was after deduction of transaction costs amounting to SGD 256,000, 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.

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(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Trade and other receivables decreased by 2.3% from USD 4.2 million as at 28 February 2017 to USD 4.1 million as at 31 August 2017. The reduction was mainly due to the overall reduction in revenue.

Cash at bank and in hand increased by 58.3% from USD 1.2 million as at 28 February 2017 to USD 1.9 million as at 31 August 2017. The increase was mainly due to (i) the proceeds from issue of the fifth sub-tranche under Tranche 1 Bonds and (ii) the proceeds from a bank loan of a subsidiary in China in HY 2018.

Inventories increased by 5.5% from USD 7.3 million as at 28 February 2017 to USD 7.7 million as at 31 August 2017.

Trade and other payables, and bill payables decreased by 26.9% from USD 2.6 million as at 28 February 2017 to USD 1.9 million as at 31 August 2017. The decrease was mainly due to the Group's efforts to manage its subsidiary in Singapore to repay its bill payables promptly to reduce the Group's reliance on bank trade facilities.

Financial liabilities increased by 30.0% from USD 2.0 million as at 28 February 2017 to USD 2.6 million as at 31 August 2017. The increase was mainly due to the Group has secured additional bank loans of USD 1.1 million in China to finance its operating cash flows and USD 0.5 million of the local bank loans have been settled in HY 2018.

REVIEW OF CASH FLOW STATEMENT

The Group recorded a net cash outflow from its operating activities of USD 0.7 million in HY 2018 (HY 2017: net cash outflow of USD 1.2 million).

The deficit in cash flows was smoothen through the acquisition of additional bank loans of USD 0.7 million secured and proceeds of USD 0.7 million from the issue of the fifth sub-tranche under Tranche 1 Bonds to finance the operating cash flows of the Group.

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

No forecast or prospect statement has been previously disclosed to shareholders.

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

The Group will continue to promote the Nico Branded Materials, review its operations, enhance governance and stay competitive.

The Group will also continue to explore opportunities in new markets to improve its future income stream.



11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for the period under review.

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

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

There was no interested person transactions, as defined in Charter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the half-year ended 31 August 2017.

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

The Board of Directors of the Company hereby confirm to the best of its knowledge nothing has come to its attention which may render unaudited interim financial results for the half-year ended 31 August 2017 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors of
NICO STEEL HOLDINGS LIMITED

Tan Chee Khiong
Chairman & President

Gavin Mark McIntyre
Independent director



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

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

By order of the Board

Tan Chee Khiong
Chairman and President
12 October 2017