NICO STEEL HOLDINGS LIMITED

Nico Steel Solutions
Think Innovation

INNOVATIVE SOLUTIONS TO ACHIEVE PRECISION

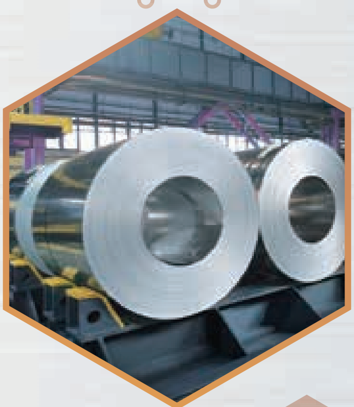
ANNUAL REPORT 2019

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.



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ABOUT NICO STEEL

Nico Steel Holdings Limited 尼尔金属控股有限公司 ("**Nico Steel**" and together with its subsidiaries, the "**Group**"), is a specialist in material solutions with a focus on customising technologically innovative metal alloys under its proprietary "Nico" brand.

The Group's proprietary patented production technology allows it to customise metallurgical solutions to meet the evolving requirements of its broad base of customers, particularly in the mobile communications, consumer electronics, industrial and automotive sectors.

Well-established in the upstream metal materials industry, the Group drives growth through (i) providing customised solutions as value-added services to component and contract manufacturers to meet their metal component requirements, and (ii) cultivating demand from brand leaders of mobile communications, consumer electronics, industrial and automotive sectors for its proprietary Nico range of specialised metal alloys that will meet the evolving and stringent requirements of new mobile and electronic devices.

Headquartered in Singapore, the Group owns and operates processing and production facilities in China and Thailand, while the production facility in Singapore acts as its R&D centre.

Nico Steel is listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 7 April 2005 and was upgraded to the Mainboard on 5 January 2009 under the stock code 5GF.

CORPORATE VALUES

Nico Steel's DRIVE distinguishes Nico Steel and its employees. At Nico Steel, we embrace and live by these values throughout our organization and also with our customers and suppliers. We call this 'Inside-Out Branding'.

D

DARING CREATIVITY

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

R

REGARDS CHANGE AS AN OPPORTUNITY

Nico Steel is always sensitive to the constant change in the business environment, locally and globally, to seize opportunities.

I

INTENSE PASSION

It is Nico Steel's belief that we have the ability and means to deliver our promises from concept to reality.

V

VISIONARY PARTNERSHIP

Nico Steel's strategy of collaborating with our customers and suppliers is pivotal in achieving the desired performance of end-user electronic devices.

E

EXCELLENCE

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

CHAIRMAN'S LETTER TO SHAREHOLDERS

INNOVATION FOR GROWTH

SUSTAINED INNOVATIONS CREATE NEW MARKET INROADS

DEAR FELLOW SHAREHOLDERS,

2018 saw the Group strengthen our foundation in our value-creation strategy as we continue to build on our earlier successes with global market leaders for our innovative and customised metallurgical solutions on their mobile and electronic products.

The Group recorded higher revenue of US$15.1 million, an increase of 14.2% from US$13.2 million a year ago, on the back of higher volume of metal materials produced and sold. The ongoing trade dispute between the USA and China, together with geopolitical uncertainties resulted in fluctuations in commodity prices and currencies, that weighed on the implementation of 5G networks had led to delays for our customers' new product development projects and launches in the financial year ended 28 February 2019.

Nevertheless, the Group's stringent cost management and prudent expansion plans for one of our customised services – N-Plate solutions, electroplating services under our subsidiary, Nico Steel Technology (Suzhou) Co., Ltd, enabled the Group to overcome the business challenges and ascend to the next level of growth. For the full year, the Group achieved US$243,000 net profit attributable to shareholders, an increase from US$34,000 a year ago.

READY TO ADVANCE

The Group was ahead of the curve with our proprietary range of Nico branded metal alloys, which are produced according to our in-house formula under patented trademarks. These metal alloys are formulated to meet the stringent and evolving requirements of the end-products of global brand leaders.

As a homegrown Singapore company with our own brand of metal alloys, the acceptance and adoption of our proprietary Nico branded metallurgical solutions faced a lot of challenges. We have persisted in our transformation from supplying highly-priced competitive and lower-margin commercial metal products, to that of niche and higher-value and higher-margin metal materials in the last few years.

CHAIRMAN'S LETTER TO SHAREHOLDERS

At Nico, we seek to resolve design limitations and address potential concerns on functionality and performance for our customers through:

- ☑ **Thermal Management:** heat transfer is crucial for all mobile devices with increasing bandwidth and speed
- ☑ **Electromagnetic Interference ("EMI") Management/ Shielding:** enable the receiving and sending of dedicated signals to communicate and execute actions/commands concurrently
- ☑ **Insulation or Surface Conductive Management:** reduction of heat transfer between objects of thermal contact
- ☑ **Weight Management:** lighter and slimmer mobile devices lead to thinner and compact components
- ☑ **Strength Management:** hardness, toughness and strength of materials to enhance functionality of the mobile devices

The breakthrough with global brand market leaders to adopt Nico branded metallurgical solutions in the communications, automotive, and consumer electronic sectors, particularly in the last few years, helped to turn our business around. The continuous participation in our customers' new product development models and series, strengthens our competitiveness as a value-creating partner to them.

As the next generation of mobile connectivity – 5G – rolls out, consumer behaviour and perception of mobile devices including smartphones, tablets, Internet of Things (IoT), gaming and electronic-enabled wearables are likely to shift. We believe the rising demand for lighter and slimmer mobile devices with better and faster performance will result in higher demand for '**single metal with cross or multi-properties**'. In particular, shielding solutions which are used to target the receiving and sending of dedicated transmission signals to communicate and execute actions/commands accurately and concurrently, will become a crucial consideration for all mobile and electronic devices.

We believe the 5G revolution will prompt manufacturers of mobile and electronic devices to upgrade the hardware specs in their mobile devices in response to the expectations of consumers and to stay ahead of the competition. This opens up opportunities for our Group's proprietary range of Nico branded metallurgical solutions to replace conventional metal materials and/or components for manufacturers seeking for breakthroughs in their products.

The Group is mindful of the risks of being overly dependent on a single customer as well as the fluctuation we have to go through, in accordance with the product lifecycle of leading global brands' end products. As such, we are consistently working on more than twenty product development projects, while producing and supplying metal materials for our wide base of customers. We are also consistently innovating our technological processes and proprietary material solutions to target at specific applications to raise production yield and generate cost benefits for our customers.

The Group aims to expand our material solutions beyond metal materials to non-metal materials, to enhance the value of our customers' end products. We strongly believe that the success of Nico's proprietary range of material solutions will be built on the success of our customers' products. The earlier successes brought the Group more opportunities to work with top-tier global brand market leaders, particularly for the applications in smartphones, laptops, tablets, connectors, and drones. We will keep our shareholders updated on our progress and corporate developments as and when they arise.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to convey my sincere appreciation to our fellow Board Directors for their invaluable advice and guidance, and the Management and staff for their dedication and commitment for the past year.

I would also like to express our warmest gratitude to our shareholders, customers, business associates and partners, for their confidence and continued support for the Group as we continue to build on our foundation to strengthen the Group's business in materials solutions.

Danny Tan
Chairman & President

BOARD OF DIRECTORS

TAN CHEE KHIONG DANNY
Executive Chairman & President

Mr Danny Tan is the co-Founder and Executive Chairman and President of the Company. He was appointed to the Board on 10 April 2002 and was re-elected on 26 June 2018.

Mr Danny Tan has been instrumental in building the Group to become an established player in the metal materials industry. He is primarily responsible for oversight and management of the Group's business and corporate development, and works together with Mr Steven Tang to formulate the overall business and corporate policies and strategies for the Group.

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 the Executive Directors, Mr Steven Tang and Mr Andrew Tang.

TANG CHEE BIAN STEVEN
Executive Director

Mr Steven Tang is the co-Founder and Executive Director of the Company. He was appointed to the Board on 23 March 2018 and was re-elected on 26 June 2018.

Mr Steven Tang stepped down from the Board on 26 June 2014 to focus on the research and development efforts in both technological processes and metallurgical solutions. He is responsible for the Group's sales, marketing and product innovation division, and focuses on developing the Group's marketing strategies and working closely with the customers' product development teams.

Mr Steven Tang has been with the Group for approximately 20 years and played an important role in the co-development of the proprietary Nico range of innovative metallurgical solutions and services over the years. Prior to joining the Group, he was with various mills in the metallurgical industry in Japan, Korea, China, Taiwan, USA and Europe.

Mr Steven Tang is the brother of Mr Danny Tan and Mr Andrew Tang.

TANG CHEE WEE ANDREW
Executive Director

Mr Andrew Tang is the Executive Director of the Company. He was appointed to the Board on 10 April 2002 and was re-elected on 27 June 2017.

Mr Andrew Tang is responsible for corporate development, corporate branding and employee training of the Group. He joined the Group in 2001 with his knowledge and experience in the areas of corporate development and corporate branding.

Mr Andrew Tang is the brother of Mr Danny Tan and Mr Steven Tang.

BOARD OF DIRECTORS

TAN POH CHYE ALLAN
Lead Independent Director

Mr Allan Tan is the Lead Independent Director of the Company, and Chairman of the Remuneration Committee and member of the Audit and Nominating Committees. He was appointed to the Board on 16 February 2015 and was re-elected on 26 June 2018.

He is a lawyer and practises in the field of corporate finance, regulatory and compliance laws. He was admitted to the Singapore Bar in 1994. He is also an Independent Director of CNMC Goldmine Holdings Limited listed on the 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 (now named as the London Metropolitan University). He is also a Barrister-at-law of Gray's Inn.

GAVIN MARK MCINTYRE
Independent Director

Mr McIntyre is the Independent Director of the Company, and the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. He was appointed to the Board on 22 August 2016 and was re-elected on 27 June 2017.

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. He is also an Independent Director of Anchor Resources Limited listed on the Catalist Board of the SGX-ST.

Mr McIntyre graduated from Curtin University in Australia with a degree in Accounting in 1989 and he holds the status of non-practicing CPA with CPA Australia since 1994.

LEE ENG YEW MICHAEL
Independent Director

Mr Michael Lee is the Independent Director of the Company, and the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees. He was appointed to the Board on 26 June 2014 and was re-elected on 27 June 2017.

Mr Michael Lee 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 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.

EXECUTIVE OFFICERS

ONG HOCK SENG
General Manager, Thailand

Mr Ong is the General Manager of the Group's Thailand subsidiary. He joined the Group in 2004.

Mr Ong is responsible for the Group's operations in Thailand. He brought with him more than 12 years of production experience in the metal stamping industry with exposure in various overseas subsidiaries of the local stamping houses.

NG CHIN SENG
General Manager, Suzhou Electroplating

Mr Ng is the General Manager of the Group's electroplating subsidiary based in Suzhou, China. He joined the Group in 2007 and was appointed as Executive Officer on 1 April 2011.

Mr Ng has more than 25 years of experience in the electroplating industry. He is responsible for the oversight, as well as the day-to-day operations and sales of the electroplating company in Suzhou.

WANG LU
Group Finance Manager

Ms Wang is the Group Finance Manager of the Company. She joined the Group in 2008 as our Group Accountant and 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 the Group, Ms Wang was a finance officer of a group of companies in the manufacturing industries.

PERFORMANCE REVIEW

PERFORMANCE REVIEW

Nico Steel's transformation strategy and efforts to focus on value-creating metallurgical solutions, gained traction with some of the renowned global brand leaders. The higher revenue and net profit achieved in FY2019 are a foundation for the Group to pursue its next level of growth.

During the year under review, the Group continued to build on its value-creation strategy for its customers through its range of proprietary Nico branded metallurgical solutions and services. The early involvement of the Group at the product development stage of customers' end products, allows the Group to understand the design limitations and potential concerns of the vital components in the mobile and electronic devices. While this strengthens the Group's working relationships with its customers, the product development cycle usually has a gestation period of 6 to 18 months, which also includes risk of delay and termination of products. The market acceptance and demand for its customers' end products contribute to the demand for the Group's metal alloys and services.

The Group targets to enhance the customers' end products in their functionality, performance and aesthetic requirements through its proprietary customised metal alloys and services. Currently, the Group holds 12 patents on the technological processes and 18 registered trademarks for Nico branded range of metal alloys and customised services.

The continual involvement and supply of the Group's customised metallurgical solutions for its growing base of renowned global brand owners, supported the Group's expansion of its electroplating capacity in January 2019. This expansion aimed to raise capacity to reach an optimal volume in anticipation of an increase in orders for Nico branded metal alloys. The tonnage produced will be dependent on the density of the base metal alloy to be plated. For illustration purposes, the production capacity would increase by 120% from 20 tonnes per month to 44 tonnes if the base metal alloy is aluminium, which has a lower density than copper.

For the financial year ended 28 February 2019 ("**FY2019**"), revenue growth continued to be supported by demand for the Group's proprietary Nico brand of metal alloys. As a result of the stronger contribution from the higher-margin proprietary metal alloys, gross profit was lifted by 31.6% from US$3.4 million in FY2018 to US$4.5 million in FY2019, and gross profit margin increased from 26.1% in FY2018 to 30.1% in FY2019.

PERFORMANCE REVIEW

Revenue analysis by product segments

	FY2019		FY2018		
	USD'000	% of revenue	USD'000	% of revenue	YoY Change
Customised Solutions	10,865	72.0	10,154	76.8	+ 7.0%
Nico Brand of Metal Alloys	4,229	28.0	3,061	23.2	+ 38.2%
	15,094	100.0	**13,215**	100.0	**+ 14.2%**
Composite Gross Profit	**4,537**		**3,448**		**+ 31.6%**
Composite Gross Margin	**30.1%**		**26.1%**		**+ 4.0 pp**

Geographically, China remained the key revenue contributor to the Group in FY2019, contributing 83.6% of the Group's total revenue, an increase from 81.9% in FY2018. Revenue from Thailand remained relatively constant at US$1.7 million, but contribution declined from 13.5% in FY2018 to 11.8% in FY2019. Malaysia contributed 3.6% to the Group's revenue in FY2019, an increase of 97.5% from US$0.3 million in FY2018 to US$0.6 million in FY2019.

Gross profit increased by 31.6% from US$3.4 million in FY2018 to US$4.5 million in FY2019, mainly due to higher profit derived from the Group's focus on (i) higher margin value-add customised solutions including electroplating services, and (ii) proprietary Nico brand of metal alloys. Composite gross profit margin increased from 26.1% in FY2018 to 30.1% in FY2019.

Other income decreased from US$344,000 in FY2018 to US$26,000 in FY2019, mainly due to the foreign exchange loss in FY2019 as opposed to a gain in FY2018.

Total operating expenses increased 11.1% from US$3.4 million in FY2018 to US$3.8 million in FY2019. This was mainly due to higher marketing and distribution expenses incurred for continued marketing effort to promote its Nico brand of metal alloys to new and existing customers, as well as the professional fees relating to the Redeemable Convertible Bond ("**RCB**") financing program which was terminated in September 2018.

Other expenses of US$125,000 in FY2019 was mainly due to the Group's recognition of an exchange loss following from the adverse movement in the foreign exchange rates.

Finance costs increased 4.8% from US$156,000 in FY2018 to US$163,000 in FY2019, due to additional drawdown on bank facilities for raw material purchases.

The Group maintained stringent cost management and prudent expansion during the year. This helped to accelerate its recovery, and it recorded a seven-fold increase in its net profit attributable to equity holders of the Company from US$34,000 in FY2018 to US$234,000 in FY2019.

FINANCIAL POSITION

The Group maintained a sound balance sheet as at 28 February 2019. Non-current assets decreased marginally by US$144,000 from US$3.5 million as at 28 February 2018 to US$3.4 million as at 28 February 2019. This was mainly due to depreciation of property, plant and equipment.

Current assets increased by US$2.4 million from US$15.7 million as at 28 February 2018 to US$18.1 million as at 28 February 2019, mainly due to:

i) inventories increased marginally by 2.1% from US$7.9 million as at 28 February 2018 to US$8.1 million as at 28 February 2019, as a result of an increase in purchases of raw materials by one of the Group's China subsidiaries near the closing of the financial year-end in FY2019 to meet customers' orders;

ii) trade and other receivables decreased by 13.1% from US$5.1 million as at 28 February 2018 to US$4.4 million as at 28 February 2019. The reduction was mainly due to the improvement in debtors' turnover as the Group continued to closely monitor and manage its credit risks; and

iii) cash and cash equivalents increased 128.9% from US$2.2 million as at 28 February 2018 to US$5.0 million as at 28 February 2019. The increase was mainly due to the proceeds from the RCB issued by the Company in FY2019 and positive cash flow from the Group's operating business.

Current liabilities decreased by US$37,000 from US$4.9 million as at 28 February 2018 to US$4.8 million as at 28 February 2019. This was mainly due to increase in repayments to lower trade and payables in order to reduce reliance on trade facilities.

Equity comprises share capital, reserves, accumulated profits, and non-controlling interests. The total equity of the Group increased by US$2.3 million or 15.8% from US$14.4 million as at 28 February 2018 to US$16.7 million as at 28 February 2019.

CASH FLOW

Net cash generated from operations amounted to US$798,000 in FY2019, as compared to net cash generated from operations of US$2,000 in FY2018. The positive cash flow was due to cash inflow from operating profits in FY2019.

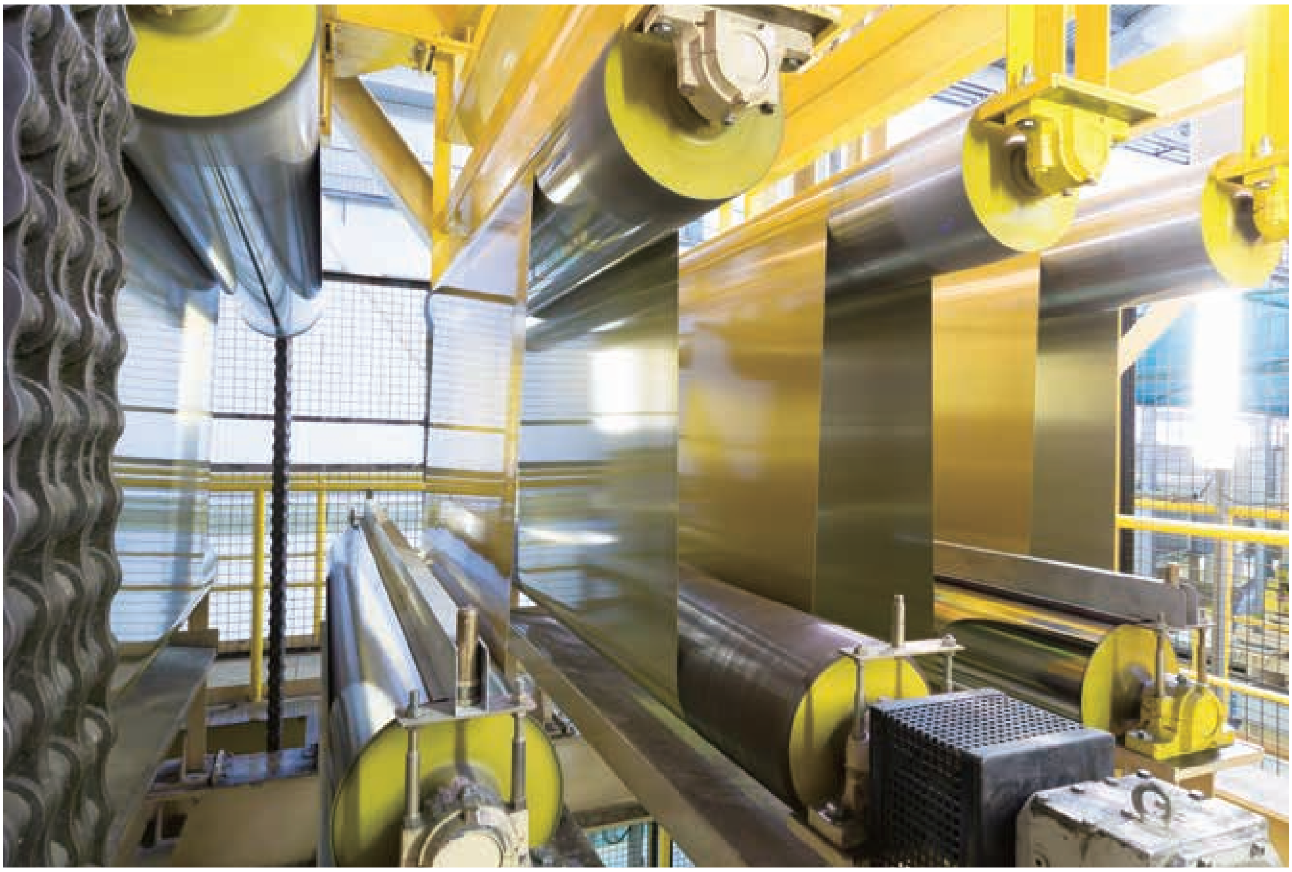
Net cash used in investing activities amounted to US$223,000 in FY2019, as compared to the net cash outflow of US$4,000 in FY2018. This was due to the purchases of property, plant and equipment of US$226,000, which was partially offset by interest and dividend received in FY2019.

Net cash generated from financing activities amounted to US$2.2 million in FY2019, as compared with the cash inflow of US$1.0 million in FY2018. This was due to the net proceeds arising from the issuance of RCB and the cash inflow in FY2018 was partially offset by repayment of bank loans.

Overall, the Group generated net cash inflows of US$2.8 million in FY2019 compared to net cash inflows of US$1.0 million in FY2018.

REDEEMABLE CONVERTIBLE BONDS

In March 2016, the Group undertook the 2% redeemable convertible bonds ("**RCB**") to support funding requirements for its business operations. As the Group strengthened its business operations and turned profitable, it had on 11 September 2018 terminated the RCB subscription agreement. Accordingly, the Company had stopped issuing new shares and Premier Equity Fund Sub Fund H managed by Value Capital Asset Management Private Limited no longer subscribed for any additional RCB. As at 28 February 2019, all outstanding RCB had been converted into ordinary shares and the total number of issued shares was 4,962,166,175.



PERFORMANCE REVIEW

The changes to the Company's issued share capital for the financial year in review are as follows:

Date	Description	No. of shares converted	Conversion Price
24 May 2018	Conversion of remaining seventh sub-tranche under Tranche 1 Bonds issued on 26 January 2018 Conversion of part of eighth sub-tranche under Tranche 1 Bonds issued on 18 April 2018	350,000,000	S$0.001
18 Jun 2018	Conversion of part of eighth sub-tranche under Tranche 1 Bonds issued on 18 April 2018	350,000,000	S$0.001
19 Jun 2018	Conversion of part of eighth sub-tranche under Tranche 1 Bonds issued on 18 April 2018	300,000,000	S$0.001
25 Jun 2018	Conversion of remaining eighth sub-tranche under Tranche 1 Bonds issued on 18 April 2018 Conversion of part of ninth sub-tranche under Tranche 1 Bonds issued on 25 June 2018	300,000,000	S$0.001
6 Aug 2018	Conversion of part of ninth sub-tranche under Tranche 1 Bonds issued on 25 June 2018	350,000,000	S$0.001
7 Aug 2018	Conversion of part of ninth sub-tranche under Tranche 1 Bonds issued on 25 June 2018	350,000,000	S$0.001
30 Aug 2018	Conversion of remaining ninth sub-tranche under Tranche 1 Bonds issued on 25 June 2018 Conversion of part of tenth sub-tranche under Tranche 1 Bonds issued on 28 Aug 2018	500,000,000	S$0.001
5 Sept 2018	Conversion of remaining tenth sub-tranche under Tranche 1 Bonds issued on 28 Aug 2018	550,000,000	S$0.001

The Group received S$10 million in gross proceeds and the utilisation of net proceeds is set out as follows:

UTILISATION OF NET PROCEEDS FROM THE REDEEMABLE CONVERTIBLE BONDS

	S$'000	S$'000
Net proceeds from the initial bond[1]		9,530
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]	5,907	
Legal and professional fee in relation to RCB issued	347	
Total usage of proceeds		(7,154)
Balance of net proceeds		2,376

Notes:

(1) Net proceeds from the initial bond of S$9,530,000 was derived after the deduction of transaction costs amounting to S$470,000 including arranger's fee and legal fees incurred.

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

The use of proceeds is consistent with the use of proceeds from the RCB as disclosed in the Circular.

As at 28 February 2019, the Group was in a net cash position and had cash at bank of US$5.0 million.

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 Monetary Authority of Singapore on 2 May 2012 (the "Code"). For the financial year ended 28 February 2019, 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 2019, 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 2019 is disclosed on page 32 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 (½) 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.

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 was appointed as the Lead Independent Director of the Company on 16 February 2015. The role of the Lead Independent Director includes 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 level 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 Lee Eng Yew Michael and Mr Tang Chee Wee Andrew shall retire at the Company's forthcoming AGM and shall be eligible for re-election.

The NC has recommended to the Board that Mr Lee Eng Yew Michael and Mr Tang Chee Wee Andrew 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 Tang Chee Wee Andrew for re-appointment as a Director, 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.

Board succession planning and Management succession planning are both crucial to business continuity and ensuring sustainable future. In view of this, the NC has deliberated with the Executive Directors on board succession planning and a structured succession planning is being put in place. Currently, the Group's business operation is being run by the three Executive Directors, Messrs Tan Chee Khiong Danny, Tang Chee Bian Steven and Tang Chee Wee Andrew who are siblings, while the Board is collectively responsible for the long-term success of the Group. The NC is of the view that the three Executive Directors have in the past years been put under rigorous operational training, leadership training, grooming process that involves portfolio rotation and performance evaluation. The succession planning that is being put in place will involve each one of them being appointed the Executive Chairman & President on a rotation for a term of one or two years (as assessed by the NC). This ensures that any one of Messrs Tan Chee Khiong Danny, Tang Chee Bian Steven and Tang Chee Wee Andrew will be in a position to perform the duties and obligations of the Executive Chairman and President of the Company at any given time.

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 Chairman and President	10 April 2002	26 June 2018	None	None	D.S.A.G Trading Pte. Ltd. Nico Steel Solutions (S) Pte. Ltd. D.S.A.G Investment Pte. Ltd. Nikko-Tech Holding Pte. Ltd.

CORPORATE GOVERNANCE REPORT

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
Tang Chee Wee Andrew	Executive Director	10 April 2002	27 June 2017	None	None	Nico Steel Solutions (S) Pte. Ltd. Nicolabs Biotech (S) Pte. Ltd. D.S.A.G Investment Pte. Ltd. D,S.A.G Trading Pte. Ltd.
Tang Chee Bian Steven	Executive Director	23 March 2018	26 June 2018	None	None	D.S.A.G Trading Pte. Ltd. Nico Steel Solutions (S) Pte. Ltd. D.S.A.G Investment Pte. Ltd.
Gavin Mark McIntyre	Independent Director	22 August 2016	27 June 2017	Anchor Resources Limited	None	# Equitasasia Pte. Ltd. # Equitas Financial Services Pte. Ltd. # Equitasasia Holdings Pte. Ltd. # Aegis Interaktif Asia Pte. Ltd.

CORPORATE GOVERNANCE REPORT

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
Lee Eng Yew Michael	Independent Director	26 June 2014	27 June 2017	None	None	# iCreate wPlanners Pte. Ltd. # Ready Autocare Pte. Ltd. # Allwins Best International Pte. Ltd. Data Zoo Pte. Ltd. # Scash Technologies Pte. Ltd. Scash Technologies Employees Pte. Ltd. Scash Global Pte. Ltd.

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 2018	CNMC Goldmine Holdings Limited	Xyec Limited Avexa Limited (listed on ASX) Affinity Energy & Health Limited (formerly known as Algae.tec Limited) (listed on ASX)	JLU Global Ltd (company limited by guarantee) The Verdure Group Private Limited Prima OPS Pte. Ltd. Resort Marketing Corp Pte. Ltd. # Allan Tan Law Practice

* Those that marked "#" are principal commitments for the Directors. Those unmarked are the directorships of the Directors for additional disclosure purposes only.

There is no alternate Director on the Board.

For the financial year ended 28 February 2019, 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 2019, 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. Adjustments to remuneration of executives are based on 2 key factors, namely, (i) specific key performance criteria agreed on with the particular executive based on achievement of milestones or successful implementation of certain tasks or projects and (ii) the overall performance of the particular executive for the financial year completed, taking into account the particular functions and duties of the executive, the overall financial position of the Group, the general economic conditions and outlook, and a comparison between the remuneration levels of the executives of Group and other companies in similar industries. The management is responsible for recommending a framework of remuneration for the key executives to the RC. In reviewing and recommending remuneration levels for the key executives, the management uses various criteria including the aforesaid guidelines. For the financial year ended 28 February 2019, 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 2019, 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, Mr Tang Chee Bian Steven and Mr Tang Chee Wee Andrew had been renewed for a one-year period accordingly. 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 "Plan") 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 Plan 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 eligible to participate in the Plan 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 Plan 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 2019:–

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Tan Chee Khiong Danny	92.9	–	7.1	–	100.0
Tang Chee Wee Andrew	93.1	–	6.9	–	100.0
Tang Chee Bian Steven	92.2	–	7.8	–	100.0
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					

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 2019:–

Remuneration Band and Name of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Ong Hock Seng	84.8	–	6.5	8.7	100.0
Wang Lu	82.1	–	17.9	–	100.0
Ng Chin Seng	38.0	–	5.4	56.6	100.0
Phua Kwan Seng(1)	62.4	–	7.9	29.7	100.0
S$250,000 to S$499,999					
Nil	–	–	–	–	–
S$500,000 to S$749,999					
Nil	–	–	–	–	–

Note:

(1) *Phua Kwan Seng has resigned from the Company on 12 November 2018.*

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 2019 was S$378,274.

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 2019.

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)	93.4	–	6.6	–	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 is responsible for the governance of risks and oversees the management in the design, implementation and monitoring of internal controls and risk management systems to safeguard Shareholders' interest and the Group's assets. The system of internal controls and risk management systems 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 notes that no system of internal controls and risk management systems can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, unexpected losses, fraud or other irregularities.

The management is responsible for the design and implementation of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The review of the adequacy and effectiveness of such internal controls and risk management systems is under the purview of the AC.

The report of the external auditors and the work of internal controls carried out by management, 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 reviewed 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 25(b) of the Notes to the Financial Statements on pages 84 to 95 of this Annual Report.

For the financial year ended 28 February 2019, 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 put in place are adequate and effective in addressing known 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 internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place are adequate and effective as at 28 February 2019.

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 internal controls and risk management systems 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 2019. 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 (including financial, operational, compliance and information technology controls) and risk management systems and the 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 2019	**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)	4,300
Total	79,300

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 have been communicated to all the employees of the Group. For the financial year ended 28 February 2019, 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 (including financial, operational, compliance and information technology controls) and risk management systems 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, compliance and information technology controls and risk management systems. 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.

For the new financial year ending 29 February 2020, the AC is in the process of selecting and engaging an internal auditor to commence internal audit work.

(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 updated on the Company's website. The Company makes announcements to update its shareholders and potential investors on any material developments as and when they arise.

The Company strives to provide 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 Corporate Information page of this Annual Report as well as on the Company's website.

The Group does not have a dividend policy at present. In considering the declaration of dividends, the Company will 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 2019 as the Group intends to conserve cash for research and development and also for the relocation of one of its production facilities in China.

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 FY2019

	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*
Tang Chee Bian Steven	2	2*	1*	1*
Tan Poh Chye Allan	2	2	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 REDEEMABLE CONVERTIBLE BONDS ("RCB") WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO S$50,000,000 ISSUED ON 15 MARCH 2016, 29 NOVEMBER 2016, 10 JANUARY 2017, 24 JANUARY 2017, 13 JUNE 2017, 28 NOVEMBER 2017, 26 JANUARY 2018, 18 APRIL 2018, 25 JUNE 2018 AND 28 AUGUST 2018

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)	9,530
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)	(5,907)
– Legal and professional fee in relation to the issuance of RCB	(347)
	2,376

Notes:

(1) *Net proceeds from the initial bond issue of S$9,530,000 was derived after the deduction of transaction costs amounting to S$470,000, including the arranger's fee and the legal fee incurred.*

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE SGX-ST LISTING MANUALS

Mr Lee Eng Yew Michael and Mr Tang Chee Wee Andrew are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be held 25 June 2019 ("AGM") under Ordinary Resolution 2 and 3 as set out in the Notice of AGM dated 3 June 2019.

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information relating to the Retiring Directors is set out below:

Name of Director	**Tang Chee Wee Andrew ("Mr Andrew Tang")**	**Lee Eng Yew Michael ("Mr Michael Lee")**
Date of Initial Appointment	10 April 2002	26 June 2014
Date of last re-appointment (if applicable)	27 June 2017	27 June 2017
Age	50	50
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr Andrew Tang's experience and contribution, the Nominating Committee has recommended that Mr Andrew Tang be re-elected as Director of the Company.	After assessing Mr Michael Lee's experience and contribution, the Nominating Committee has recommended that Mr Michael Lee be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Corporate Development Director	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Director
Professional qualifications	Bachelor of Business (Honours) from Nanyang Technological University.	Chartered Accountant with the Institute of Singapore Chartered Accountants Master of Business Administration in Strategic Wealth Management from University of Vienna, Austria Bachelor of Accountancy from Nanyang Technological University
Working experience and occupation(s) during the past 10 years	Mr Andrew Tang is responsible for corporate development, corporate branding and employee training of the Group. He joined the Group in 2001 with his knowledge and experience in the areas of corporate development and corporate training.	2012 – Present: Business Advisory to SME, Private Equity & Public Companies 2010 – Present: Senior Director, Manulife Financial 2009 – Present: Adjunct Lecturer, UNISIM
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 5,503,725 Deemed Interest – 20,697,700 (held in the name of D.S.A.G Investment Pte. Ltd.)	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE SGX-ST LISTING MANUALS

Name of Director	Tang Chee Wee Andrew (“Mr Andrew Tang”)	Lee Eng Yew Michael (“Mr Michael Lee”)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Andrew Tang, Mr Tan Chee Khiong Danny (Executive Chairman & President) and Mr Tang Chee Bian Steven (Executive Director) are siblings. Mr Tang Hee Kya is their father. Also, Mr Andrew Tang is a brother-in-law to Ms Ang Bee Choo.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# “Principal Commitments” has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Nil	Nil
Past (for the last 5 years)	• Solagene Biotech Pte. Ltd.* * struck off	• Vsmart Venture Pte. Ltd.* • Frontier Quest Pte. Ltd.* • Ready Insure Pte. Ltd.* • Sky Tree Pte. Ltd.* * struck off/to be struck off
Present	• Nico Steel Holdings Limited • Nico Steel Solutions (S) Pte. Ltd. • Nicolabs Biotech (S) Pte. Ltd. • D.S.A.G Investment Pte. Ltd. • D.S.A.G Trading Pte. Ltd. Please refer to page 18.	• Nico Steel Holdings Limited • iCreate wPlanners Pte. Ltd. • Ready Autocare Pte. Ltd. • Allwins Best International Pte. Ltd. • Data Zoo Pte. Ltd. • Scash Technologies Pte. Ltd. • Scash Technologies Employees Pte. Ltd. • Scash Global Pte. Ltd. Please refer to page 19.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE SGX-ST LISTING MANUALS

Name of Director	Tang Chee Wee Andrew ("Mr Andrew Tang")	Lee Eng Yew Michael ("Mr Michael Lee")
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange?	NA	NA
If yes, please provide details of prior experience.	NA	NA
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	NA	NA
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	NA	NA

Mr Andrew Tang and Mr Michael Lee have confirmed negative on items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Rules.

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 2019.

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 44 to 101 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 2019 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 Singapore Financial Reporting Standards (International); 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 Bian Steven
Tang Chee Wee Andrew
Tan Poh Chye Allan
Lee Eng Yew Michael
Gavin Mark McIntyre

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	75,046,925	1,186,977,925
– 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' interest in shares or debentures (cont'd)

By virtue of Section 7 of the Act, Tan Chee Khiong Danny is deemed to have interests in the other subsidiary corporations of the Company 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 2019.

Nico Employee Performance Share Plan 2017 (the "Plan")

The Plan was approved by shareholders at an extraordinary general meeting held on 12 October 2017.

The Remuneration Committee administering the Plan comprises directors, Tan Poh Chye Allan (Chairman of the Remuneration Committee), Gavin Mark McIntyre and Lee Eng Yew Michael.

The Plan was introduced 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 (including executive, non-executive and independent directors) of the Group who have contributed to the growth of the Group.

Principal Terms of the Plan

(a) Participants

Under the rules of the Plan, executive and non-executive directors (including independent directors) and employees of the Group, including controlling shareholders or their associates, are eligible to participate in the Plan.

(b) Size of the Plan

The aggregate number of shares which may be issued pursuant to the Plan, when added to (i) the number of new shares issued and issuable and/or existing shares transferred and transferable in respect of all share awards granted or to be granted there under; and (ii) all shares, options or share awards granted or to be granted under any other share option schemes or share plans of the Company (if any), shall not exceed 15% of the total number issued shares of the Company (excluding treasury shares) from time to time.

(c) Duration of the Plan

The Plan shall continue in operation for a maximum duration of 10 years from 12 October 2017 and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Shares granted under the Plan

During the financial year, no awards have been granted by the Company, and consequently, no shares have been issued. The shares under the Plan if and when issued under an award would rank *pari passu* with all other issued shares of the Company.

DIRECTORS' STATEMENT

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 issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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 McIntyre (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 Corporate Governance Report.

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.

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 2019 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.

Audit Committee (cont'd)

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

22 May 2019

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 44 to 101, which comprise the statements of financial position of the Group and of the Company as at 28 February 2019, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2019 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.

Write down of inventories

Description of key audit matter:

As disclosed in Notes 3 and 15 to the financial statements, the carrying value of inventories amounted to US$8,095,578 (2018: US$7,931,583) and represented 38% (2018: 41%) of the Group's total assets as at 28 February 2019. Management estimates the write-down of inventories based on the aging of the inventories, prevailing market conditions and anticipated selling prices of the inventories. Write-down of inventories is considered to be a key audit matter due to the involvement of significant management estimation and assumptions in determining the required level of write-down.

Our procedures to address the matter:

We inquired and obtained an understanding of management's process for identifying and writing down of slow-moving inventories. We tested accuracy of the inventory aging report used by management. We evaluated the reasonableness of management's input used in calculating the value of the inventories written down, taking into consideration historical information and latest selling prices. We also checked the mathematical accuracy of the write-down and assessed the adequacy of the related disclosures in the notes to the financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019, 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 SFRS(I), 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.

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.

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

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

- 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.

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

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

22 May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019

	Note	2019 US$	(Restated) 2018 US$
Revenue	4	**15,093,602**	13,215,555
Cost of sales		**(10,556,939)**	(9,767,338)
Gross profit		**4,536,663**	3,448,217
Interest income from banks		**1,167**	965
Other income	5	**26,056**	343,676
Distribution expenses		**(647,740)**	(538,164)
Administrative expenses		**(3,159,035)**	(2,889,703)
Other expenses		**(124,938)**	–
Results from operating activities		**632,173**	364,991
Finance costs	6	**(163,566)**	(156,020)
Profit before tax	7	**468,607**	208,971
Tax expense	8	**(140,340)**	(144,070)
Profit for the year		**328,267**	64,901
Other comprehensive (loss)/income, net of tax			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(333,804)**	595,048
Total comprehensive (loss)/income for the year		**(5,537)**	659,949
Profit attributable to:			
Equity holders of the Company		**242,875**	34,381
Non-controlling interests		**85,392**	30,520
Profit for the year		**328,267**	64,901
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(125,941)**	682,492
Non-controlling interests		**120,404**	(22,543)
Total comprehensive (loss)/income for the year		**(5,537)**	659,949
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	9	**0.01**	0.01

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

STATEMENTS OF FINANCIAL POSITION

AT 28 FEBRUARY 2019

		Group			Company		
			(Restated)	(Restated)			
		28.2.2019	28.2.2018	1.3.2017	28.2.2019	28.2.2018	1.3.2017
	Note	US$	US$	US$	US$	US$	US$
Non-current assets							
Property, plant and equipment	10	**3,210,236**	3,316,124	3,355,114	**–**	–	–
Intangible assets	11	**3,004**	3,388	4,036	**–**	–	–
Subsidiaries	12	**–**	–	–	**7,696,767**	7,696,767	7,696,767
Other investment	13	**39,146**	77,332	18,178	**39,146**	77,332	18,178
Deferred tax assets	14	**121,298**	121,298	109,446	**–**	–	–
Total non-current assets		**3,373,684**	3,518,142	3,486,774	**7,735,913**	7,774,099	7,714,945
Current assets							
Inventories	15	**8,095,578**	7,931,583	7,263,872	**–**	–	–
Trade and other receivables	16	**4,395,551**	5,055,995	3,912,376	**2,897,352**	2,376,659	1,830,737
Contract assets	17	**544,022**	536,357	351,410	**–**	–	–
Cash and cash equivalents	18	**5,044,392**	2,203,790	1,223,563	**2,079,447**	1,231,437	71,826
Tax recoverable		**32,366**	–	–	**–**	–	–
Total current assets		**18,111,909**	15,727,725	12,751,221	**4,976,799**	3,608,096	1,902,563
Total assets		**21,485,593**	19,245,867	16,237,995	**12,712,712**	11,382,195	9,617,508
Equity and liabilities							
Share capital	19	**15,851,114**	13,567,929	11,365,849	**15,851,114**	13,567,929	11,365,849
Reserves	20	**(1,953,262)**	(1,680,128)	(2,443,542)	**–**	–	–
Accumulated profits/(losses)		**3,299,071**	3,151,878	3,232,800	**(3,380,693)**	(2,465,378)	(2,044,420)
Equity attributable to equity holders of the Company, total		**17,196,923**	15,039,679	12,155,107	**12,470,421**	11,102,551	9,321,429
Non-controlling interests	12	**(540,574)**	(660,978)	(638,435)	**–**	–	–
Total equity		**16,656,349**	14,378,701	11,516,672	**12,470,421**	11,102,551	9,321,429
Non-current liabilities							
Deferred tax liabilities	14	**9,928**	9,928	9,928	**–**	–	–
Borrowings	21	**–**	–	540	**–**	–	–
Total non-current liabilities		**9,928**	9,928	10,468	**–**	–	–
Current liabilities							
Borrowings	21	**2,541,978**	2,488,173	2,039,912	**–**	–	5,593
Trade and other payables	22	**2,160,944**	2,214,358	2,536,888	**241,027**	279,029	290,127
Contract liabilities	17	**114,454**	129,943	129,524	**–**	–	–
Current tax payable		**1,940**	24,764	4,531	**1,264**	615	359
Total current liabilities		**4,819,316**	4,857,238	4,710,855	**242,291**	279,644	296,079
Total liabilities		**4,829,244**	4,867,166	4,721,323	**242,291**	279,644	296,079
Total equity and liabilities		**21,485,593**	19,245,867	16,237,995	**12,712,712**	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 2019

	Attributable to equity holders 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 2018	13,567,929	(2,824,780)	1,498,774	496,541	2,301,215	15,039,679	(660,978)	14,378,701
Effect of adoption of new accounting standard (Note 2(a))	–	–	(850,663)	–	850,663	–	–	–
At 1 March 2018, restated	13,567,929	(2,824,780)	648,111	496,541	3,151,878	15,039,679	(660,978)	14,378,701
Profit for the year	–	–	–	–	242,875	242,875	85,392	328,267
Other comprehensive (loss)/income, net of tax								
Currency translation differences arising from consolidation	–	–	(368,816)	–	–	(368,816)	35,012	(333,804)
Total comprehensive (loss)/income for the year	–	–	(368,816)	–	242,875	(125,941)	120,404	(5,537)
Transfer of statutory surplus reserve	–	–	–	95,682	(95,682)	–	–	–
Transactions with owners, recognised directly in equity								
Conversion of shares from convertible bonds (Note 19)	2,283,185	–	–	–	–	2,283,185	–	2,283,185
At 28 February 2019	**15,851,114**	**(2,824,780)**	**279,295**	**592,223**	**3,299,071**	**17,196,923**	**(540,574)**	**16,656,349**
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
Effect of adoption of new accounting standard (Note 2(a))	–	–	(850,663)	–	850,663	–	–	–
At 1 March 2017, restated	11,365,849	(2,824,780)	–	381,238	3,232,800	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 19)	2,202,080	–	–	–	–	2,202,080	–	2,202,080
At 28 February 2018 (restated)	13,567,929	(2,824,780)	648,111	496,541	3,151,878	15,039,679	(660,978)	14,378,701

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019

	2019 US$	(Restated) 2018 US$
Cash flows from operating activities		
Profit before tax	**468,607**	208,971
Adjustments for:		
Depreciation of property, plant and equipment	**235,364**	235,963
Loss/(gain) on disposal of property, plant and equipment	**1,962**	(44,588)
Impairment loss on trade receivables	**480**	–
Amortisation of intangible assets	**873**	1,026
Gain on strike-off of a subsidiary	**(4,294)**	–
Write-back of impairment on trade receivables	**–**	(11,500)
Interest income from banks	**(1,167)**	(965)
Interest expense	**163,566**	156,020
Net fair value loss/(gain) on financial assets at fair value through profit or loss	**38,186**	(59,154)
Dividend income	**(1,500)**	(6,304)
	902,077	479,469
Changes in working capital:		
Inventories	**(163,995)**	(667,711)
Trade and other receivables	**659,964**	(1,132,119)
Contract assets	**(7,665)**	(184,947)
Contract liabilities	**(15,489)**	419
Trade and other payables	**(14,473)**	(328,524)
Secured working capital bank loan	**54,404**	1,603,750
Currency translation adjustments	**(257,783)**	500,063
Cash generated from operations	**1,157,040**	270,400
Income tax paid, net	**(195,530)**	(135,688)
Interest paid	**(163,566)**	(132,997)
Net cash generated from operating activities	**797,944**	1,715
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**592**	44,588
Purchase of property, plant and equipment	**(225,979)**	(54,950)
Purchase of intangible assets	**(489)**	(378)
Interest received	**1,167**	965
Dividend received	**1,500**	6,304
Net cash used in investing activities	**(223,209)**	(3,471)
Cash flows from financing activities		
Proceeds from issue of redeemable convertible bonds	**2,244,724**	2,202,080
Repayment of bank loans	**–**	(1,150,000)
Repayment of finance lease liabilities	**(599)**	(6,029)
Interest paid	**–**	(23,023)
Net cash generated from financing activities	**2,244,125**	1,023,028
Net increase in cash and cash equivalents	**2,818,860**	1,021,272
Cash and cash equivalents at 1 March	**2,203,790**	1,223,563
Effect of exchange rate fluctuations on cash held	**21,742**	(41,045)
Cash and cash equivalents at 28 February	**5,044,392**	2,203,790

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019

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, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). 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 SFRS(I) 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.

New and revised standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises the standards and interpretations that are identical to the International Financial Reporting Standards. As required by the listing requirements of Singapore Exchange ("SGX"), the Group has adopted SFRS(I) on 1 March 2018.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

These financial statements for the year ended 28 February 2019 are the first set of financial statements of the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 28 February 2018 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 March 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I), these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 28 February 2019. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group and the Company have also presented statement of financial position as at 1 March 2017, which is the date of transition to SFRS(I).

In addition to the adoption of the new framework, the Group also concurrently applied all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial statements, except for SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments.

First time adoption of SFRS(I)

In adopting SFRS(I) in 2019, the Group has applied the transition requirements in SFRS(I) with 1 March 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The application of SFRS(I) did not have any significant impact on the financial statements except as disclosed below.

Foreign currency translation reserve

The Group elected the optional exemption to reset its cumulative foreign currency translation reserve for all foreign operations to nil at the date of transition on 1 March 2017. As a result, the foreign currency translation reserve of US$850,663, determined in accordance with SFRS as at 1 March 2017, was reclassified to retained earnings as at 1 March 2017. Subsequent to the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative foreign currency translation reserve decreased by US$850,663 and retained earnings increased by the same amount as at 28 February 2018.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces Financial Reporting Standards ("FRS") 18 'Revenue', FRS 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 entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SFRS(I) 15 using the full retrospective approach. The Group has elected the practical expedient to apply the standard to contracts that are not completed at the date of initial application.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

Presentation of contract assets and contract liabilities

Upon adoption of SFRS(I) 15, the Group has changed the presentation of unbilled income for goods delivered to customers. Unbilled income classified as trade receivable of US$536,357 as at 28 February 2018 and US$351,410 as at 1 March 2017 were reclassified to contract assets.

Upon adoption of SFRS(I) 15, the Group has changed the presentation of advance payments from customers. Advance payments from customers classified as other payables of US$129,943 as at 28 February 2018 and US$129,524 as at 1 March 2017 were reclassified to contract liabilities.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It 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 expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Company applied SFRS(I) 9 using a modified retrospective approach, with date of initial application on 1 March 2018. The Group and the Company have not restated the comparative information, which continues to be reported under FRS 39. At the date of initial application and 28 February 2019, the Group has assessed that the adoption of SFRS(I) 9 does not have any material impact to the financial position and results of the Group.

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 (cont'd)

The impact upon adoption of SFRS(I) 9 as at 1 March 2018 was as follows:

(a) Classification and measurement

Under SFRS(I) 9, the Group and the Company classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Company's business model was made as of the date of initial application on 1 March 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest were made based on the facts and circumstances as at the initial recognition of the assets.

The following were the changes in classification and measurement arising from adopting SFRS(I) 9:

- Loans and receivables including trade and other receivables (excluding prepayments), other non-current assets and cash and cash equivalents as at 28 February 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 March 2018;

- Investment in quoted equity shares classified as available-for-sale ("AFS") financial asset as at 28 February 2018 are classified and measured at fair value through profit or loss beginning 1 March 2018.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

The following summarises the Group and the Company's required or elected reclassifications as at 1 March 2018 upon adoption on SFRS(I) 9:

Group		**SFRS (I) 9 measurement category**	
FRS 39 measurement category	**Original carrying amount US$**	**Amortised cost US$**	**FVTPL US$**
Loans and receivables			
Cash and cash equivalents	2,203,790	2,203,790	–
Trade and other receivables	4,710,545	4,710,545	–
Available-for-sale financial assets			
Quoted equity shares	77,332	–	77,332

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 (cont'd)

The impact upon adoption of SFRS(I) 9 as at 1 March 2018 was as follows (cont'd):

(a) Classification and measurement (cont'd)

Company		**SFRS (I) 9 measurement category**	
FRS 39 measurement category	**Original carrying amount US$**	**Amortised cost US$**	**FVTPL US$**
Loans and receivables			
Cash and cash equivalents	1,231,437	1,231,437	–
Trade and other receivables	2,342,675	2,342,675	–
Available-for-sale financial assets			
Quoted equity shares	77,332	–	77,332

(b) Impairment

SFRS(I) 9 requires the Group and Company to record expected credit losses on all of its financial assets at amortised cost, either on a 12-month or lifetime basis. Management has assessed that there is no material impact of applying the new standard on the Group's financial statements.

At the date of initial application and 28 February 2019, the Group and the Company have assessed that the adoption of SFRS(I) 9 does not have any material impact to the financial position and results of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 28 February 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed below.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16

SFRS(I) 16 replaces the existing FRS 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.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$299,967 (Note 24). Of these commitments, the Group expect to recognise right-of-use assets and lease liabilities of approximately US$242,000.

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of assets and liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening accumulated profits as at 1 March 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

b) Revenue recognition

Sales of goods

The Group transfers control and recognises a sale when they deliver goods to their customers. Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. A contract asset is recognised when the Group has delivered the goods to the customer based on the contract but has not yet billed the customer. Where there is advance billing to customer, a contract liability is recognised for billing in excess of revenue recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019

2 Summary of significant accounting policies (cont'd)

b) Revenue recognition (cont'd)

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the Company and the amount of dividend can be reliably measured.

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.

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.

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to equity holders of the Company.

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.

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.

2 Summary of significant accounting policies (cont'd)

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

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.

Construction work-in-progress represents assets in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies (Note 2(q)). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended 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.

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.

2 Summary of significant accounting policies (cont'd)

g) Impairment of non-financial assets excluding goodwill (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

i) Leases (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

k) Financial assets

The accounting policy for financial assets before 1 March 2018 is as follows:

(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.

(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.

2 Summary of significant accounting policies (cont'd)

k) Financial assets (cont'd)

The accounting policy for financial assets before 1 March 2018 is as follows (cont'd):

(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.

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.

2 Summary of significant accounting policies (cont'd)

k) Financial assets (cont'd)

The accounting policy for financial assets before 1 March 2018 is as follows (cont'd):

(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.

The accounting policy for financial assets from 1 March 2018 is as follows:

(i) Recognition and derecognition

Regular way 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.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

(ii) Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

(iii) Subsequent measurement

Debt instruments

Debt instruments include cash and cash equivalents, trade receivables and other receivables (excluding prepayments). These are subsequently measured at amortised cost based on the Group's business model for managing the asset and cash flow characteristic of the asset.

2 Summary of significant accounting policies (cont'd)

k) Financial assets (cont'd)

The accounting policy for financial assets from 1 March 2018 is as follows (cont'd):

(iii) Subsequent measurement (cont'd)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other income or Other expenses". On disposal of an equity investment classified as FVTPL, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss. Dividends from equity investments are recognised in profit or loss and presented in "Other income".

(iv) Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

2 Summary of significant accounting policies (cont'd)

k) Financial assets (cont'd)

The accounting policy for financial assets from 1 March 2018 is as follows (cont'd):

(iv) Impairment (cont'd)

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet 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.

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.

2 Summary of significant accounting policies (cont'd)

n) Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the current estimates of future cash flows under its guarantee contracts 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.

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.

2 Summary of significant accounting policies (cont'd)

r) Employee benefits (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019

2 Summary of significant accounting policies (cont'd)

s) Foreign currencies (cont'd)

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.

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 ageing of the inventories, prevailing market conditions and anticipated selling prices of the inventories. 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.

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) Calculation of loss allowance for financial assets at amortised cost

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3 Key sources of estimation uncertainty (cont'd)

iii) Calculation of loss allowance for financial assets at amortised cost (cont'd)

As the calculation of loss allowance on receivables and loans is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables and loans. Details of ECL measurement and carrying values of trade receivables, other receivables and loans at reporting date are disclosed in Notes 25 and 16 respectively.

4 Revenue

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

5 Other income

	Group	
	2019	**2018**
	US$	**US$**
Exchange gain	**–**	190,346
Dividend income	**1,500**	6,304
Government grants	**5,666**	6,735
Gain on disposal of property, plant and equipment	**–**	44,588
Fair value gain from financial assets	**–**	59,154
Gain on strike-off of a subsidiary	**4,294**	–
Others	**14,596**	36,549
	26,056	343,676

6 Finance costs

	Group	
	2019	**2018**
	US$	**US$**
Interest expenses:		
– finance lease liabilities	**42**	1,725
– bills payable, bank overdraft and bank loans	**163,524**	154,295
	163,566	156,020

7 Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2019	**2018**
	US$	**US$**
Staff costs		
Wages and salaries	**1,319,344**	1,285,921
Contributions to defined contribution plans	**79,327**	81,492
Other staff costs	**228,323**	211,724
	1,626,994	1,579,137
Cost of sales		
Cost of inventories included in cost of sales	**10,345,525**	9,233,401
Depreciation of property, plant and equipment	**124,991**	124,868
Other expenses		
Depreciation of property, plant and equipment	**110,373**	111,095
Amortisation of intangible assets	**873**	1,026
Allowance for expected credit loss	**480**	–
Loss on disposal of property, plant and equipment	**1,962**	–
Directors' fees	**85,110**	91,050
Operating lease expense	**274,824**	246,533
Audit services		
– auditor of the Company*	**55,506**	54,957
– other auditors	**15,128**	14,671
Non-audit services		
– auditor of the Company*	**3,117**	2,571
– other auditors	**1,391**	1,346
Exchange loss	**124,938**	–
Net fair value loss with respect to financial assets at FVTPL	**38,186**	–
Write-back of impairment of trade receivables	**–**	(11,500)

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

8 Tax expense

	Group 2019 US$	Group 2018 US$
Tax recognised in profit or loss		
Current tax expense		
Current year	**136,920**	145,272
Under/(over) provision for prior years	**3,420**	(951)
	140,340	144,321
Deferred tax expense		
Origination and reversal of temporary difference (Note 14)	**–**	(251)
Tax expense	**140,340**	144,070

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit in the countries where the Group operates due to the following factors:

	Group 2019 US$	Group 2018 US$
Profit before tax	**468,607**	208,971
Tax calculated using Singapore tax rate of 17% (2018: 17%)	**79,663**	35,525
Effect of different tax rates in other countries	**128,947**	101,328
Expenses not deductible for tax purposes	**181,352**	77,258
Income not subject to tax	**–**	(1,180)
Under/(over) provision for prior years	**3,420**	(951)
Deferred tax assets not recognised	**32,627**	–
Utilisation of previously unrecognised tax losses	**(276,643)**	(55,894)
Tax incentives	**(3,665)**	(44)
Others	**(5,361)**	(11,972)
	140,340	144,070

9 Earnings per share

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

	2019 US$	2018 US$
Net profit attributable to equity holders of the Company	**242,875**	34,381
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	**3,754,768,915**	629,650,194
Basic and diluted earnings per share (cents per share)	**0.01**	0.01

Basic earnings per share is calculated by dividing the profit 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 earnings per share is same as basic earnings 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 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
Additions	–	3,335	34,591	1,546	3,687	53,941	128,879	225,979
Disposal	–	–	(25,428)	–	–	(33,445)	–	(58,873)
Effect of movements in exchange rates	(105,527)	(4,917)	(99,060)	(4,302)	(3,130)	(10,018)	(2,797)	(229,751)
At 28 February 2019	**3,473,665**	**217,682**	**2,267,991**	**120,845**	**251,587**	**420,838**	**178,074**	**6,930,682**
Accumulated depreciation and impairment loss								
At 1 March 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	2,737	2,334	12,431	–	235,963
Disposal	–	–	–	–	–	(233,986)	–	(233,986)
Effect of movements in exchange rates	57,575	12,308	124,856	7,117	5,226	23,542	–	230,624
At 28 February 2018	932,454	214,573	1,804,952	111,449	241,428	372,347	–	3,677,203
Depreciation for the year	104,771	4,125	101,326	2,160	1,960	21,022	–	235,364
Disposal	–	–	(22,874)	–	–	(33,445)	–	(56,319)
Effect of movements in exchange rates	(41,099)	(4,856)	(75,192)	(3,844)	(2,669)	(8,142)	–	(135,802)
At 28 February 2019	**996,126**	**213,842**	**1,808,212**	**109,765**	**240,719**	**351,782**	**–**	**3,720,446**
Carrying amount								
At 28 February 2018	2,646,738	4,691	552,936	12,152	9,602	38,013	51,992	3,316,124
At 28 February 2019	**2,477,539**	**3,840**	**459,779**	**11,080**	**10,868**	**69,056**	**178,074**	**3,210,236**

10 Property, plant and equipment (cont'd)

	Computers US$	Motor vehicles US$	Total US$
Company			
Cost			
At 1 March 2017	1,112	233,986	235,098
Disposal	–	(233,986)	(233,986)
At 28 February 2018 and 28 February 2019	**1,112**	**–**	**1,112**
Accumulated depreciation			
At 1 March 2017	1,112	233,986	235,098
Disposal	–	(233,986)	(233,986)
At 28 February 2018 and 28 February 2019	**1,112**	**–**	**1,112**
Carrying amount			
At 28 February 2018 and 28 February 2019	–	–	–

As at 28 February 2018, the factory building with carrying amount of US$1,442,387 was mortgaged to a bank to secure banking facilities of the Group which was repaid during the financial year ended 28 February 2018. The legal mortgage over the property was discharged during the financial year ended 28 February 2019.

As at the reporting date, the carrying amount of photocopier held under finance lease arrangements of the Group amounted to US$Nil (2018: US$707).

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 2019 US$	Carrying amount 2018 US$
Singapore	1	**1,540,513**	1,543,899
People's Republic of China	2	**1,661,318**	1,755,973
Thailand	3	**8,405**	16,252

Based on management's impairment assessment, the recoverable amount of CGU 1 is determined based on fair value less cost of disposal (2018: CGU 1 based on fair value less cost of disposal). No impairment test was performed for CGU 2 as CGU 2 is profitable with positive operating cashflows, and for CGU 3 as the carrying amount of property, plant and equipment under CGU 3 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 2019, the fair value less cost of disposal of CGU 1 is determined by the directors taking reference from the desktop valuation obtained from a third party valuer on 28 February 2018 after considering the fluctuation of the property prices during the financial year. 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 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.

11 Intangible assets

	Patents US$	Trademarks US$	Total US$
Cost			
At 1 March 2017	28,459	18,846	47,305
Additions	378	–	378
At 28 February 2018	28,837	18,846	47,683
Additions	489	–	489
At 28 February 2019	**29,326**	**18,846**	**48,172**
Accumulated amortisation			
At 1 March 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
Amortisation for the year	734	139	873
At 28 February 2019	**27,021**	**18,147**	**45,168**
Carrying amount			
At 28 February 2018	2,550	838	3,388
At 28 February 2019	**2,305**	**699**	**3,004**

12 Subsidiaries

	2019 US$	2018 US$
Unquoted equity shares, at cost		
At 1 March	**7,828,649**	7,829,357
Written off during the year	**(65,882)**	(708)
	7,762,767	7,828,649
Allowance for impairment loss	**(66,000)**	(131,882)
At 28 February	**7,696,767**	7,696,767
Movement of allowance for impairment loss:		
At 1 March	**131,882**	132,590
Written off during the year	**(65,882)**	(708)
At 28 February	**66,000**	131,882

(a) Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ Place of business	Effective equity held by the Group 2019 %	2018 %
(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
(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) Previously 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$2,300,141 (2018: US$737,573) 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 SFRS(I), adjusted for differences in the Group's accounting policies.

	Nico Steel Technology (Suzhou) Co., Ltd 2019 US$	2018 US$
NCI percentage	**20%**	20%
Revenue	**1,719,034**	1,149,185
Profit for the year	**426,961**	152,600
Other comprehensive income/(loss)	**175,059**	(265,315)
Total comprehensive income/(loss)	**602,020**	(112,715)
Attributable to NCI:		
Profit for the year	**85,392**	30,520
Other comprehensive income/(loss)	**35,012**	(53,063)
Total comprehensive income/(loss)	**120,404**	(22,543)
Non-current assets	**243,219**	137,287
Current assets	**205,497**	697,794
Current liabilities	**(3,151,588)**	(4,139,974)
Net liabilities	**(2,702,872)**	(3,304,893)
Net liabilities attributable to NCI	**(540,574)**	(660,978)
Cash flows generated from operating activities	**222,965**	31,237
Cash flows used in investing activities	**(130,053)**	(49,359)
Cash flows used in financing activities	**(98,006)**	–
Net decrease in cash and cash equivalents	**(5,094)**	(18,122)

(d) On 9 April 2018, the Company dissolved a wholly owned subsidiary, Nico Steel Solutions (M) Sdn Bhd. The cost of investment in this subsidiary amounting to US$65,882 has been written off.

(e) Company level – Impairment review of investment in subsidiaries

Management performed a review of the recoverable amount on its investment in Nico Steel Solutions (S) Pte Ltd because the subsidiary was loss making and generated negative operating cash inflow from operating activities during the financial year.

Management estimated the recoverable amount of Nico Steel Solutions (S) Pte Ltd as at 31 December 2018 to be US$3,518,000 which was above its carrying amount of US$3,463,434. The above recoverable amount of Nico Steel Solutions (S) Pte Ltd is determined based on its fair value less cost of disposal. The fair value less cost of disposal is computed based on adjusted net assets value of Nico Steel Solutions (S) Pte Ltd, which is determined by taking into account the fair values of underlying assets and liabilities of the Nico Steel Solutions (S) Pte Ltd. This fair value measurement is categorised as a Level 3 fair value in the fair value hierarchy based on the inputs in the valuation technique used.

13 Other investment

	Group and Company	
	2019	2018
	US$	US$
Available-for-sale quoted equity securities	**–**	77,332
Financial assets measured at FVTPL quoted equity securities	**39,146**	–

The above equity securities are measured at fair value categorised as Level 1 in the fair value hierarchy, with quoted prices in active markets for identical assets or liabilities. The equity securities classified as available-for-sale financial assets as at 28 February 2018 are classified and measured as financial assets at FVTPL beginning 1 March 2018.

14 Deferred tax assets/(liabilities)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019	2018	2019	2018
	US$	US$	US$	US$
Group				
Property, plant and equipment	**–**	–	**(9,928)**	(9,928)
Inventories	**120,080**	120,080	**–**	–
Trade and other payables	**1,218**	1,218	**–**	–
Deferred tax assets/(liabilities)	**121,298**	121,298	**(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 2017	Recognised in profit or loss (Note 8)	Exchange differences	Balance as at 28 February 2018	Recognised in profit or loss (Note 8)	Exchange differences	Balance as at 28 February 2019
	US$	US$	US$	US$	US$	US$	US$
Group							
Deferred tax assets							
Inventories	108,300	–	11,780	120,080	–	–	**120,080**
Trade and other payables	1,146	(251)	323	1,218	–	–	**1,218**
	109,446	(251)	12,103	121,298	–	–	**121,298**
Deferred tax liabilities							
Property, plant and equipment	(9,928)	–	–	(9,928)	–	–	**(9,928)**
	99,518	(251)	12,103	111,370	–	–	**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:

	2019 US$	2018 US$
Tax losses	**3,247,000**	4,328,000
Write-down of inventories	**1,249,000**	1,320,000

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$927,000 (2018: US$2,018,000) arising in certain foreign tax jurisdictions have an expiry period of 5 years.

Unrecognised temporary differences relating to investments in subsidiaries

At 28 February 2019, temporary differences of US$6,139,000 (2018: US$4,956,000) 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	
	2019 US$	**2018 US$**
Raw materials	**2,163,404**	2,340,848
Finished goods	**5,932,174**	5,590,735
	8,095,578	7,931,583

Raw materials and finished goods recognised as cost of sales amounted to US$10,345,525 (2018: US$9,233,401).

As at reporting date, the inventories are stated after write-down of inventories to net realisable value of US$2,203,996 (2018: US$2,274,985).

16 Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Trade receivables	**3,782,958**	4,731,069	**–**	–
Non-trade amounts due from subsidiaries	**–**	–	**2,881,189**	2,342,675
Deposits	**84,815**	84,564	**–**	–
Other receivables	**34,796**	93,188	**–**	–
	3,902,569	4,908,821	**2,881,189**	2,342,675
Impairment losses	**(194,992)**	(198,276)	**–**	–
	3,707,577	4,710,545	**2,881,189**	2,342,675
Prepayments	**687,974**	345,450	**16,163**	33,984
	4,395,551	5,055,995	**2,897,352**	2,376,659

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

The Group and the Company's exposures to credit and currency risks, and impairment losses related to trade receivables are disclosed in Note 25.

17 Contract assets and liabilities

Contract assets relate to the Group's rights to consideration for goods delivered but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts. There were no significant movements in contract assets and liabilities for the financial years ended 28 February 2019 and 28 February 2018.

18 Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Cash at banks	**5,019,018**	2,173,266	**2,079,447**	1,231,437
Cash in hand	**25,374**	30,524	**–**	–
	5,044,392	2,203,790	**2,079,447**	1,231,437

19 Share capital

	2019		2018	
	Number of issued shares	Issued share capital US$	Number of issued shares	Issued share capital US$
Balance at beginning of financial year	**1,912,166,175**	13,567,929	**497,620,722**	11,365,849
Cancellation of ordinary shares erroneously allotted	**–**	–	**(5,454,546)**	–
Conversion of shares from convertible bonds	**3,050,000,000**	2,283,185	**1,419,999,999**	2,202,080
Balance at end of financial year	**4,962,166,175**	15,851,114	**1,912,166,175**	13,567,929

During the financial year, the Company further issued 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 SGD3,050,000 (including SGD50,000 from FY2018), in accordance with the terms and subject to the conditions of the Subscription Agreement. Pursuant to the said conversions, 3,050,000,000 conversion shares were issued to the bondholders.

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

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 ended 28 February 2018.

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.

All bonds have been converted into shares. On 11 September 2018, the Company and the Subscriber have agreed to terminate the Subscription Agreement.

20 Reserves

	Group	
		(Restated)
	2019 US$	2018 US$
Merger reserve	**(2,824,780)**	(2,824,780)
Currency translation reserve	**279,295**	648,111
Statutory surplus reserve	**592,223**	496,541
	(1,953,262)	(1,680,128)

20 Reserves (cont'd)

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 subsidiaries 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.

21 Borrowings

	Group	
	2019	**2018**
	US$	**US$**
Secured		
Working capital bank loan A	**901,001**	–
Working capital bank loan B	**1,640,977**	2,487,574
Finance lease liabilities	**–**	599
	2,541,978	2,488,173

Secured working capital bank loans

(i) Secured working capital bank loan A is guaranteed by the Company and its subsidiaries.

(ii) Secured working capital bank loan B is secured against trade receivables in the People's Republic of China amounting to US$3,483,309 (2018: US$3,253,527), legal mortgages over a personal property of a director of the Group and is guaranteed by the Company and its subsidiaries.

21 Borrowings (cont'd)

Secured working capital bank loans (cont'd)

(iii) Secured working capital bank loans A and B are obtained to purchase inventories where the loan amounts are disbursed to the supplier subject to the bank's approval of the supplier's invoices and purchase orders submitted by the subsidiary. The repayment term of loan A and loan B are 180 days and 150 days respectively which approximates the general credit term given by suppliers that the subsidiary trades with.

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

	Finance lease liabilities US$	**Bond payables* US$**	**Term loan US$**	**Total US$**
Balance at 1 March 2017	6,628	36,316	1,150,000	1,192,944
Changes from financing cash flows:				
– Repayments	(6,029)	–	(1,150,000)	(1,156,029)
– Interest paid	(1,725)	–	(21,298)	(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	1,725	–	21,298	23,023
– Conversion of shares from convertible bonds	–	(2,202,080)	–	(2,202,080)
Balance at 28 February 2018	599	38,461	–	39,060
Changes from financing cash flows:				
– Repayments	(599)	–	–	(599)
– Proceeds from issue of redeemable convertible bonds	–	2,244,724	–	2,244,724
Non-cash changes:				
– Conversion of shares from convertible bonds	–	(2,283,185)	–	(2,283,185)
Balance at 28 February 2019	**–**	**–**	**–**	**–**

* Included in Note 22 Trade and other payables, other payables.

Finance lease liabilities

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

	2019			**2018**		
	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

21 Borrowings (cont'd)

Terms and conditions of outstanding borrowings are as follows:

	Nominal interest rate	Year of maturity	2019		2018	
			Fair value	Carrying amount	Fair value	Carrying amount
	%		US$	US$	US$	US$
Group						
RMB floating rate loan A	120% of bank's board rate	2019	**901,001**	**901,001**	–	–
RMB floating rate loan B	SIBOR + 1.50% per annum	2019	**1,640,977**	**1,640,977**	2,487,574	2,487,574
Finance lease liabilities	2.8% to 6.95%	2018 – 2019	**–**	**–**	645	599
			2,541,978	**2,541,978**	2,488,219	2,488,173

22 Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Trade payables	**676,136**	561,412	**–**	–
Non-trade amounts due to subsidiaries	**–**	–	**47,817**	47,817
Loan from directors	**34,155**	34,634	**20,968**	20,968
Bills payable	**484,714**	520,726	**–**	–
Accrued operating expenses	**376,753**	281,064	**150,286**	155,406
Other payables	**589,186**	816,522	**21,956**	54,838
	2,160,944	2,214,358	**241,027**	279,029

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 3.82% (2018: 2.90%) 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 25.

23 Contingent liabilities

Intra-group financial guarantees comprise corporate guarantees granted by the Company and its subsidiaries to banks in respect of bank loans and bills payable amounting to US$3,026,693 (2018: US$3,008,300) 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.

24 Commitments

a) Capital commitment

Capital commitment not provided for in the financial statements:

	Group	
	2019	**2018**
	US$	**US$**
Capital commitment in respect of property, plant and equipment	**29,153**	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	
	2019	**2018**
	US$	**US$**
Within one year	**121,449**	245,384
Between one and five years	**178,518**	126,781
	299,967	372,165

25 Financial instruments

a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Financial assets				
Loans and receivables (including cash and cash equivalents)*	–	7,450,692	–	3,574,112
Available-for-sale financial assets	–	77,332	–	77,332
Financial assets at amortised cost	**8,751,969**	–	**4,960,636**	–
Financial assets at fair value through profit or loss	**39,146**	–	**39,146**	–
	8,791,115	7,528,024	**4,999,782**	3,651,444
Financial liabilities				
Financial liabilities at amortised cost	**4,702,922**	4,831,875	**241,027**	279,030

* Excludes prepayments

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.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. For customers who wish to trade on credit terms, the Group will take into account the quantity of the customer order, background and creditworthiness of the customer, level of risk involved, payment history of the customer and relationship with the customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been significant increase in credit risk since initial recognition	Lifetime ECL- not-credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL-credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

The Group's trade receivables comprise 5 debtors (2018: 5 debtors) that individually represented 6% – 11% (2018: 4% – 8%) of the trade receivables.

The Company has significant credit risk exposures arising on amounts due from subsidiaries of US$2,881,189 (2018: US$2,342,675) which represented 99% (2018: 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$1,209,672 (2018: US$925,708) of trade receivables are insured by these third-party insurance companies.

Trade receivables and contract assets

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

The contract assets relate to unbilled sales of goods, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and warning letters issued for debts due for more than 12 months.

Based on a simplified approach for determining credit loss allowance for trade receivables as at 28 February 2019, an allowance for impairment amounting to US$194,992 was recognised by the Group as at 28 February 2019 for specific debtors as a result of occurrence of credit impairment events.

Non-trade amounts due from subsidiaries

For the non-trade amounts due from subsidiaries where impairment loss allowance is measured using 12 months ECL, the Company assessed the latest performance and financial position of the respective counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Other financial assets at amortised cost

The credit loss exposure in relation to cash and cash equivalents and other receivables are immaterial and accordingly, no credit loss allowance is recognised at 28 February 2019.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Movement in credit loss allowance are as follows:

	Trade receivables US$
Group	
Balance as at 1 March 2018 under FRS 39 and FRS 109	198,276
Loss allowance measured:	
Lifetime ECL – simplified approach	(480)
Currency translation difference	(2,804)
Balance as at 28 February 2019	194,992

Previous accounting policy for impairment of financial assets

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

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.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Previously accounting policy for impairment of financial assets (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 US$
Singapore	60,410
PRC	4,536,354
Malaysia	81,413
Thailand	389,986
Others	987
	5,069,150

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 US$
Group	
Past due 1 – 30 days	254,347
Past due 31 – 120 days	35,134
Past due 121 – 365 days	481
Past due more than one year	70,640
	360,602

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Previously accounting policy for impairment of financial assets (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 US$
Gross amount:	
Past due more than one year	198,276
Less: Allowance for impairment loss	(198,276)
	–

Movement in allowance for impairment loss:

	Group 2018 US$
At 1 March	190,413
Impairment loss recognised in profit or loss	–
Write-back	(11,500)
Currency translation difference	19,363
At 28 February	198,276

The Group and the Company believe 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.

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

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.

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				
2019				
Non-derivative financial liabilities				
Bank loans	**2,541,978**	**2,686,118**	**2,686,118**	**–**
Trade and other payables	**2,160,944**	**2,179,446**	**2,179,446**	**–**
	4,702,922	**4,865,564**	**4,865,564**	**–**
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	2,214,358	2,229,480	2,229,480	–
	4,702,531	4,869,193	4,869,193	–
Company				
2019				
Non-derivative financial liabilities				
Trade and other payables	**241,027**	**241,027**	**241,027**	**–**
2018				
Non-derivative financial liabilities				
Trade and other payables	279,029	279,029	279,029	–

25 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:

	2019		**2018**	
	Singapore dollar US$	**US dollar US$**	**Singapore dollar US$**	**US dollar US$**
Group				
Trade and other receivables	**36,288**	**2,077,186**	61,564	2,273,031
Cash and cash equivalents	**2,129,607**	**2,296,254**	1,268,152	454,090
Trade and other payables	**(181,323)**	**(682,940)**	(232,373)	(682,195)
Net exposure	**1,984,572**	**3,690,500**	1,097,343	2,044,926

	2019 Singapore dollar US$	**2018 Singapore dollar US$**
Company		
Trade and other receivables	**1,719,429**	1,176,835
Cash and cash equivalents	**2,079,112**	1,231,102
Trade and other payables	**(151,481)**	(193,868)
Net exposure	**3,647,060**	2,214,069

25 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 2018.

	Group	Company
	Increase in profit US$	**Increase/ (decrease) in loss US$**
2019		
Singapore dollar	**198,457**	**(364,706)**
US dollar	**369,050**	**–**
	567,507	**(364,706)**
2018		
Singapore dollar	109,735	(221,407)
US dollar	201,119	–
	310,854	(221,407)

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	
	2019 US$	**2018 US$**
Fixed rate instruments		
Finance lease liabilities	**–**	599
Bills payable	**484,714**	520,726
	484,714	521,325
Variable rate instruments		
Variable interest rate bank loans	**2,541,978**	2,487,574

25 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 2018.

	Profit or loss	
	100 bp increase US$	**100 bp decrease US$**
Group		
2019		
Variable rate instruments	**(25,420)**	**25,420**
2018		
Variable rate instruments	(24,876)	24,876

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.

26 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.

26 Related party transaction (cont'd)

Key management personnel compensation (cont'd)

Key management personnel compensation, is analysed as follows:

	Group	
	2019	**2018**
	US$	**US$**
Short-term employee benefits	**646,392**	495,335
Post-employment benefits	**56,377**	46,610
Director's fee	**85,110**	91,050
	787,879	632,995

Other related party transactions

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

	Group	
	2019	**2018**
	US$	**US$**
Remuneration including contribution to defined contribution plans paid to close member of the family of an executive director	**87,584**	252,287

27 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.

27 Operating segments (cont'd)

Information about reportable segments

	Coil Centre US$	Plating US$	Others US$	Total US$
2019				
Revenue and expenses				
External revenue	15,093,602	–	–	15,093,602
Inter-segment revenue	–	1,719,034	–	1,719,034
Total revenue of reportable segments	**15,093,602**	**1,719,034**	**–**	**16,812,636**
Interest income	207,189	78	–	207,267
Finance costs	(257,350)	(113,026)	710	(369,666)
Depreciation and amortisation	(220,034)	(16,203)	–	(236,237)
Reportable segment profit/(loss) before tax	955,441	426,961	(913,795)	468,607
Tax expense	(138,821)	–	(1,519)	(140,340)
Reportable segment profit/(loss) after tax	**816,620**	**426,961**	**(915,314)**	**328,267**
Other segment assets	15,896,631	448,715	4,976,799	21,322,145
Other investment	–	–	39,146	39,146
Intangible assets	3,004	–	–	3,004
Deferred tax assets	121,298	–	–	121,298
Total assets	**16,020,933**	**448,715**	**5,015,945**	**21,485,593**
Capital expenditure	96,532	129,447	–	225,979
Other segment liabilities	4,168,068	456,099	193,209	4,817,376
Current tax payable	34	642	1,264	1,940
Deferred tax liabilities	9,928	–	–	9,928
Total liabilities	**4,178,030**	**456,741**	**194,473**	**4,829,244**

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

27 Operating segments (cont'd)

Information about reportable segments (cont'd)

	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

27 Operating segments (cont'd)

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

	Group	
	2019	**2018**
	US$	**US$**
Revenue		
Total revenue for reportable segments	**16,812,636**	14,361,382
Elimination of inter-segment revenue	**(1,719,034)**	(1,145,827)
Consolidated revenue	**15,093,602**	13,215,555

	Reportable segment total US$	Adjustments US$	Consolidated totals US$
Other material items			
2019			
Interest income*	**207,267**	**(206,100)**	**1,167**
Finance costs*	**(369,666)**	**206,100**	**(163,566)**
Depreciation and amortisation	**(236,237)**	**–**	**(236,237)**
2018			
Interest income*	225,257	(224,292)	965
Finance costs*	(380,312)	224,292	(156,020)
Depreciation and amortisation	(236,989)	–	(236,989)

* Exclude intercompany items

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$
2019						
Revenue from external customers	145,993	12,618,245	549,487	1,775,622	4,255	**15,093,602**
Non-current assets	1,543,518	1,661,320	–	8,402	–	**3,213,240**
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019

27 Operating segments (cont'd)

Geographical segment (cont'd)

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$1,265,029 (2018: US$970,982) are derived from one external customer (2018: one external customer) who individually contributed 8% (2018: 7%) or more of the Group's revenue and are attributable to the Group's Coil Centre segment.

28 Comparative figures

A reclassification has been made to the previous year's financial statements to enhance comparability with the current year's financial statements. The reclassification arise from the presentation of travelling expenses from administrative expenses to distribution expenses in the statement of comprehensive income to conform to the current year's presentation.

The effect on the comparative figures are as follows:

	As previously reported US$	Amount reclassified US$	As restated US$
Statement of Comprehensive Income for the financial year ended 28 February 2018			
Distribution expenses	(176,311)	(361,853)	(538,164)
Administrative expenses	(3,251,556)	361,853	(2,889,703)

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 2018.

29 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.

29 Capital management (cont'd)

As disclosed in Note 20, 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	
	2019	**2018**
	US$	**US$**
Net operating income	**632,173**	364,991
Equity attributable to the equity holders of the Company	**17,196,923**	15,039,679
Less: Statutory surplus reserve (Note 20)	**(592,223)**	(496,541)
Total net equity	**16,604,700**	14,543,138
Return on capital ratio	**0.04**	0.03

30 Authorisation of financial statements

The financial statements of the Group for the financial year ended 28 February 2019 were authorised for issue in accordance with a resolution of the directors dated 22 May 2019.

SHAREHOLDERS' STATISTICS

As at 8 May 2019

SHARE CAPITAL

Class of shares	:	Ordinary shares
Number of Shares	:	4,962,166,175
Voting Rights	:	One (1) vote per share
Treasury Shares	:	Nil

Based on the information available to the Company as at 8 May 2019, the percentage of shareholding held in the hands of the public is approximately 36.36% 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	2	0.13	100	0.00
100 – 1,000	40	2.66	18,298	0.00
1,001 – 10,000	209	13.91	1,190,250	0.03
10,001 – 1,000,000	1,003	66.73	312,230,949	6.29
1,000,001 AND ABOVE	249	16.57	4,648,726,578	93.68
	1,503	100.00	4,962,166,175	100.00

Substantial Shareholders

Name of Substantial Shareholders	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	%
Tan Chee Khiong[(1) (2)]	1,186,977,925	23.92	21,042,162	0.42
Xu Lei[(3)]	458,000,000	9.23	–	–
Zhang Rong[(4)]	250,000,000	5.04	–	–
Value Capital Asset Management Private Limited[(5)]	1,225,000,028	24.69	–	–
Premier Equity Fund Sub Fund H[(5)]	–	–	1,225,000,028	24.69

Notes:

(1) Tan Chee Khiong is deemed interested in 20,697,700 shares of the Company held by D.S.A.G Investment Pte. Ltd. by virtue of interest in D.S.A.G Investment Pte. Ltd.

(2) Tan Chee Khiong is deemed interested in 344,462 shares held by spouse, Ang Bee Choo.

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

(4) Zhang Rong's direct interest is derived from the shares held in the name of nominee account.

(5) Value Capital Asset Management Private Limited is the Investment Manager for Premier Equity Fund Sub Fund H. Premier Equity Sub Fund H's aggregate interest in 1,225,000,028 shares are held by Value Capital Asset Management Private Limited. As such, Premier Equity Fund Sub Fund H is deemed to be interested in all the shares in the Company.

SHAREHOLDERS' STATISTICS

As at 8 May 2019

MAJOR SHAREHOLDERS LIST – TOP 21

NO.	NAME	NO. OF SHARES	%
1	TAN CHEE KHIONG	1,186,977,925	23.92
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	895,086,528	18.04
3	CITIBANK NOMINEES SINGAPORE PTE LTD	708,000,000	14.27
4	OCBC SECURITIES PRIVATE LTD	363,790,250	7.33
5	HO BENG SIANG	163,500,000	3.29
6	PHILLIP SECURITIES PTE LTD	110,974,700	2.24
7	DBS NOMINEES PTE LTD	84,120,300	1.69
8	IFAST FINANCIAL PTE LTD	68,010,000	1.37
9	UTPAL RAY A/L ARUNANANDA RAY	53,900,000	1.09
10	ABN AMRO CLEARING BANK N.V.	52,940,400	1.07
11	PAROT TOVOT LLC	36,000,000	0.72
12	TEOH CHIN HONG (ZHAO JINFENG)	29,600,200	0.60
13	RAFFLES NOMINEES (PTE) LIMITED	25,147,200	0.51
14	ZHOU YI	24,869,800	0.50
15	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	22,149,100	0.45
16	TNG HEE HENG	22,000,000	0.44
17	D.S.A.G INVESTMENT PTE. LTD.	20,697,700	0.42
18	KANG KOK HOCK	17,500,000	0.35
19	TAN YOK SENG	16,921,300	0.34
20	TAY WUU YEAN	14,000,000	0.28
21	YONG SOONG OOI	14,000,000	0.28
		3,930,185,403	79.20

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth 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 Tuesday, 25 June 2019 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 2019 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 Tang Chee Wee Andrew **(Resolution 2)**

   Mr Lee Eng Yew Michael **(Resolution 3)**

   [See explanatory Note (i)]

3. To approve the payment of Directors' fees of S$115,000 for the financial year ended 28 February 2019 (2018: S$120,310). **(Resolution 4)**

4. 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 5)**

5. 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:

6. **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. **(Resolution 6)**
[See explanatory Note (ii)]

7. **Authority to allot and issue shares under the Nico Employee Performance Share Plan 2017**

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to allot and issue from time to time such number of shares as may be required to be issued pursuant to the vesting of awards granted under the Nico Employee Performance Share Plan 2017 (the "Nico PSP") provided always that the aggregate number of shares to be issued or transferred pursuant to the awards granted under the Nico PSP, when aggregated with the aggregate number of shares over which options or awards are granted under any other share option schemes or share schemes, shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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. **(Resolution 7)**
[See explanatory Note (iii)]

By Order of the Board

Sharon Yeoh
Company Secretary

Singapore, 3 June 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Lee Eng Yew Michael will, upon re-election as a Director of the Company, remain as Independent Director, Chairman of the Nominating Committee, and as a member of the Audit and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) The ordinary resolution 6 proposed in item 6 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.

(iii) The ordinary resolution 7 proposed in item 7 above, if passed, will empower Directors of the Company to allot and issue shares pursuant to the exercise of options and vesting of awards under the Nico PSP, provided that the aggregate number of shares to be issued pursuant to the Nico PSP, when aggregated to the number of shares issued and issuable or transferred and to be transferred under any other share option schemes or share schemes of the Company shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time.

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.

NICO STEEL HOLDINGS LIMITED

(Incorporated In the Republic of Singapore)
(Company Registration No.: 200104166D)

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. 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 CPF/SRS investors who hold shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.

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.

PROXY FORM

(Please see notes overleaf before completing this form)

*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 Tuesday, 25 June 2019 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 2019		
2.	Re-election of Mr Tang Chee Wee Andrew as a Director		
3.	Re-election of Mr Lee Eng Yew Michael as a Director		
4.	Approval of Directors' fees amounting to S$115,000 for the financial year ended 28 February 2019		
5.	Re-appointment of Messrs Baker Tilly TFW LLP as Auditors		
6.	Authority to issue new shares		
7.	Authority to allot and issue shares pursuant to the Nico PSP		

**Delete where inapplicable*

Dated this __________ day of ____________________ 2019

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Tan Chee Khiong Danny
Executive Chairman and President

Mr Tang Chee Bian Steven
Executive Director

Mr Tang Chee Wee Andrew
Executive Director

Mr Tan Poh Chye Allan
Lead Independent Director

Mr Gavin Mark McIntyre
Independent Director

Mr Lee Eng Yew Michael
Independent Director

AUDIT COMMITTEE

Mr Gavin Mark McIntyre *(Chairman)*
Mr Tan Poh Chye Allan
Mr Lee Eng Yew Michael

REMUNERATION COMMITTEE

Mr Tan Poh Chye Allan *(Chairman)*
Mr Gavin Mark McIntyre
Mr Lee Eng Yew Michael

NOMINATING COMMITTEE

Mr Lee Eng Yew Michael *(Chairman)*
Mr Tan Poh Chye Allan
Mr Gavin Mark McIntyre

COMPANY SECRETARY

Ms. Sharon Yeoh Kar Choo, ACIS

REGISTERED OFFICE

51 Loyang Way
Singapore 508744
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Fax: (65) 6542 1986
Email: corporateaffairs@nico.com.sg
Website: www.nicosteel.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

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: Mr Ong Kian Guan
(With effect from financial year 2016)

PRINCIPAL BANKER

DBS Bank Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

INVESTOR RELATIONS

Octave Communications (S) Pte Ltd
远環资询(新加坡)私人有限公司
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#31-03 One Raffles Place
Singapore 048616
Email: enquiry@octavecomms.com

Nico Steel Holdings Limited
尼尔金属控股有限公司
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Unique Entity No. 200104166D)

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