



NICO STEEL HOLDINGS LIMITED

UEN: 200104166D

SGX Stock Code: 5GF

Condensed Interim Financial Statements
For the six months ended 31 August 2022

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income for six months ended 31 August 2022 (“HY2023”)

	Note	Group		Variance
		6 months ended 31 August 2022 USD'000	6 months ended 31 August 2021 USD'000	
Revenue	4	9,113	9,966	(9%)
Cost of sales		(7,352)	(8,100)	(9%)
Gross profit		1,761	1,866	(6%)
Interest income from banks	6	3	1	>100%
Other income		373	58	>100%
Distribution expenses		(232)	(221)	5%
Administrative expenses		(1,464)	(1,332)	10%
Other expenses		–	(15)	N.M.
Finance costs		(123)	(86)	23%
Profit before tax	6	318	271	17%
Tax expense	7	(88)	(115)	(24%)
Profit for the period, net of tax		230	156	47%
Other comprehensive loss, net of tax				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Currency translation differences arising on consolidation		(1,033)	(75)	>100%
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Currency translation differences arising on consolidation		39	–	N.M.
Other comprehensive loss for the period, net of tax		(994)	(75)	>100%
Total comprehensive (loss)/income for the period		(764)	81	N.M.

	Group		variance
	6 months ended 31 August 2022	6 months ended 31 August 2021	
Note	USD'000	USD'000	
Profit/(loss) attributable to:			
Equity holders of the Company	220	159	38%
Non-controlling interests	10	(3)	N.M.
Profit for the financial period	230	156	47%
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(813)	84	N.M.
Non-controlling interests	49	(3)	N.M.
Total comprehensive (loss)/income for the period	(764)	81	N.M.
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	0.01	0.01	-

N.M. – not meaningful

B. Condensed interim statements of financial position

		Group		Company	
	Note	As at 31/08/2022 USD'000	As at 28/02/2022 USD'000	As at 31/08/2022 USD'000	As at 28/02/2022 USD'000
Non-current assets					
Property, plant and equipment	9	3,608	3,814	-	-
Intangible assets	10	2	2	-	-
Subsidiaries		-	-	12,647	12,647
Total non-current assets		<u>3,610</u>	<u>3,816</u>	<u>12,647</u>	<u>12,647</u>
Current assets					
Inventories		8,708	8,457	-	-
Trade and other receivables	11	5,438	6,724	2,549	2,994
Contract assets		910	582	-	-
Cash and cash equivalents		3,941	4,511	29	48
Total current assets		<u>18,997</u>	<u>20,274</u>	<u>2,578</u>	<u>3,042</u>
Total assets		<u>22,607</u>	<u>24,090</u>	<u>15,225</u>	<u>15,689</u>
Equity and liabilities					
Share capital	12	15,851	15,851	15,851	15,851
Reserves		(2,159)	(1,126)	-	-
Accumulated profits/(losses)		3,034	2,814	(769)	(380)
Equity attributable to equity holders of the Company, total		16,726	17,539	15,082	15,471
Non-controlling interests		(425)	(474)	-	-
Total equity		<u>16,301</u>	<u>17,065</u>	<u>15,082</u>	<u>15,471</u>
Non-current liabilities					
Borrowing	13	912	1,302	-	-
Provisions		10	11	-	-
Deferred tax liabilities		10	10	-	-
Total non-current liabilities		<u>932</u>	<u>1,323</u>	<u>-</u>	<u>-</u>
Current liabilities					
Borrowings	13	4,048	4,181	-	-
Trade and other payables	14	1,314	1,423	143	206
Provisions		-	22	-	-
Current tax payable		12	76	-	12
Total current liabilities		<u>5,374</u>	<u>5,702</u>	<u>143</u>	<u>218</u>
Total liabilities		<u>6,306</u>	<u>7,025</u>	<u>143</u>	<u>218</u>
Total equity and liabilities		<u>22,607</u>	<u>24,090</u>	<u>15,225</u>	<u>15,689</u>

C. Condensed interim statements of changes in equity

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Merger reserve	Currency translation reserve	Statutory surplus reserve	Accumulated profits	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Group								
At 1 Mar 2021	15,851	(2,825)	698	747	2,584	17,055	(471)	16,584
Profit/(loss) for the period	-	-	-	-	159	159	(3)	156
Other comprehensive income/(loss), net of tax								
Currency translation differences arising from consolidation	-	-	(75)	-	-	(75)	-	(75)
Total comprehensive (loss)/income for the period	-	-	(75)	-	159	84	(3)	81
At 31 Aug 2021	15,851	(2,825)	623	747	2,743	17,139	(474)	16,665
At 1 Mar 2022	15,851	(2,825)	860	839	2,814	17,539	(474)	17,065
Profit for the period	-	-	-	-	220	220	10	230
Other comprehensive (loss)/income, net of tax								
Currency translation differences arising from consolidation	-	-	(1,033)	-	-	(1,033)	39	(994)
Total comprehensive (loss)/income for the period	-	-	(1,033)	-	220	(813)	49	(764)
At 31 Aug 2022	15,851	(2,825)	(173)	839	3,034	16,726	(425)	16,301

Condensed interim statements of changes in equity

	Share capital	Accumulated losses	Total equity
	USD'000	USD'000	USD'000
Company			
At 1 Mar 2021	15,851	(4,742)	11,109
Loss and total comprehensive loss for the period	-	(360)	(360)
At 31 Aug 2021	15,851	(5,102)	10,749
At 1 Mar 2022	15,851	(380)	15,471
Loss and total comprehensive loss for the period	-	(389)	(389)
At 31 Aug 2022	15,851	(769)	15,082

D. Condensed interim consolidated statement of cash flows

	Group	
	6 months ended 31 August 2022	6 months ended 31 August 2021
	USD'000	USD'000
Cash flows from operating activities		
Profit before tax	318	271
Adjustments for:		
Amortisation of intangible assets	1	1
Depreciation of property, plant and equipment, and right-of-use assets	249	236
Interest expense	123	86
Interest income from banks	(3)	(1)
Reversal of inventories write-down	(90)	(141)
Operating profit before working capital changes	598	452
Changes in working capital:		
Inventories	(161)	(278)
Trade and other receivables and contract assets	959	289
Trade and other payables and contract liabilities	(130)	40
Currency translation adjustments	(1,145)	(85)
Cash generated from operations	121	418
Income taxes paid	(152)	(141)
Interest paid	(21)	-
Net cash (used in)/generated from operating activities	(52)	277
Cash flows from investing activities		
Purchase of property, plant and equipment	(197)	(145)
Purchase of trade mark and patent	(1)	-
Interest received	3	1
Net cash used in investing activities	(195)	(144)
Cash flows from financing activities		
Proceeds from bank loan	151	748
Repayment of bank loan	(233)	(36)
Proceeds from working capital bank loans	3,499	3,346
Repayment of working capital bank loans	(3,702)	(3,638)
Proceeds from bills payable	1,262	162
Repayment of bills payable	(1,101)	-
Repayment of lease liabilities	(101)	(142)
Interest paid on bank loan	(11)	(4)
Interest paid on working capital bank loan	(69)	(71)
Interest paid on bills payable	(5)	-
Interest paid on lease liabilities	(17)	(11)
Net cash (used in)/generated from financing activities	(327)	354

	6 months ended 31 August 2022 USD'000	6 months ended 31 August 2021 USD'000
Net (decrease)/increase in cash and cash equivalents	(574)	487
Cash and cash equivalents at beginning of the period	4,511	3,836
Effect of exchange rate fluctuations on cash held	4	1
Cash and cash equivalents at end of the period¹	3,941	4,324

¹Cash and cash equivalents include fixed deposits of US\$350,000 as at 31 August 2022 (31 August 2021: Nil).

E. Notes to the condensed interim consolidated financial statements

1 Corporate information

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

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

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 Group are those relating to provision of metal slitting services and import and export trading, provision of ferrous and non-ferrous raw materials in strip-in coils for the stamping and metal fabricating industries, provision of electro-plating process, material surface treatment and chemistry blending for electronic products, and processing and sales of metal products and foreign trade operations, sales of self-owned structural machinery products for metal products, metal manufacturing, metal processing machinery manufacturing, casting manufacturing, metal mould manufacturing, metal cutting tools manufacturing.

2 Basis of preparation

The condensed interim financial statements for the six months ended 31 August 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 28 February 2022.

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

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

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

2 Basis of preparation (cont'd)

2.1. New and amended standards adopted by the Group

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

2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 28 February 2022.

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

3. Seasonal operations

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

4. Revenue

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

4.1. Reported segments

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

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

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

4.1. Reported segments (cont'd)

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

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

Information about reportable segments

	Coil Centre USD'000	Plating USD'000	Others USD'000	Total USD'000
1 March 2022 to 31 August 2022				
Revenue and expenses				
External revenue	9,113	–	–	9,113
Inter-segment revenue	–	689	–	689
Total revenue of reportable segments	9,113	689	–	9,802
Interest income	82	1	–	83
Finance costs	(157)	(46)	–	(203)
Depreciation and amortisation	(145)	(104)	–	(249)
Reversal of inventories write-down	90	–	–	90
Reportable segment profit/(loss) before tax	658	50	(390)	318
Tax expense	(89)	–	1	(88)
Reportable segment profit/(loss) after tax	569	50	(389)	230
Segment assets	21,910	665	30	22,605
Intangible assets	2	–	–	2
Total assets	21,912	665	30	22,607
Capital expenditure	198	–	–	198
Segment liabilities	5,757	443	96	6,296
Current tax payable	12	–	–	12
Deferred tax liabilities	10	–	–	10
Total liabilities	5,779	443	96	6,318

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

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

4.1. Reported segments (cont'd)

Information about reportable segments

	Coil Centre USD'000	Plating USD'000	Others USD'000	Total USD'000
1 March 2021 to 31 August 2021				
Revenue and expenses				
External revenue	9,966	–	–	9,966
Inter-segment revenue	–	650	–	650
Total revenue of reportable segments	9,966	650	–	10,616
Interest income	94	–	–	94
Finance costs	(130)	(49)	–	(179)
Depreciation and amortisation	(127)	(110)	–	(237)
Reversal of inventories write-down	141	–	–	141
Reportable segment profit/(loss) before tax	642	(13)	(358)	271
Tax expense	(113)	–	(2)	(115)
Reportable segment profit/(loss) after tax	529	(13)	(360)	156
Segment assets	21,307	535	64	21,906
Intangible assets	2	–	–	2
Total assets	21,309	535	64	21,908
Capital expenditure	145	–	–	145
Segment liabilities	4,804	330	99	5,233
Current tax payable	64	–	12	76
Deferred tax liabilities	10	–	–	10
Total liabilities	4,878	330	111	5,319

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

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

	Group	
	6 months ended 31 August 2022 USD'000	6 months ended 31 August 2021 USD'000
Revenue		
Total revenue for reportable segments	9,802	10,616
Elimination of inter-segment revenue	(689)	(650)
Consolidated revenue	9,113	9,966

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

4.2. Geographical segment

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

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

	Singapore USD'000	PRC USD'000	Malaysia USD'000	Thailand USD'000	Other USD'000	Total USD'000
From 1 March 2022 to 31 August 2022						
Revenue from external customers	207	7,824	10	1,070	2	9,113
Non-current assets	2,024	1,468	–	118	–	3,610

From 1 March 2021 to 31 August 2021

Revenue from external customers	107	7,425	21	2,389	24	9,966
Non-current assets	1,818	1,543	–	5	–	3,366

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

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 August and 28 February 2022:

	Group		Company	
	31 August 2022	28 February 2022	31 August 2022	28 February 2022
	USD'000	USD'000	USD'000	USD'000
Financial Assets				
Cash and cash equivalents and trade and other receivable (amortised cost)	9,009	11,011	2,577	3,025
Financial liabilities				
Trade and other payables and borrowings (amortised cost)	6,254	6,906	144	206

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

6. Profit before taxation

6.1. Significant items

	Group	
	6 months ended 31 August 2022	6 months Ended 31 August 2021
	USD'000	USD'000
Income		
Interest income	3	1
Foreign exchange gain,net	364	–
Expenses		
Depreciation of property, plant and equipment	249	236
Amortisation of intangible assets	1	1
Interest on borrowings	107	75
Interest on lease liabilities	16	11
Lease expense - short-term lease	–	1
Reversal of inventories write-down	(90)	(141)
Foreign exchange loss,net	–	15

6.2. Related party transactions

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

7. Taxation

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

	Group	
	6 months ended 31 August 2022	6 months ended 31 August 2021
	USD'000	USD'000
Current income tax expense	88	115

8. Net Asset value

	Group		Company	
	As at 31 August 2022	As at 28 February 2022	As at 31 August 2022	As at 28 February 2022
	USD'000	USD'000	USD'000	USD'000
Net assets	16,301	17,065	15,082	15,471
Net asset value per ordinary shares based on the existing issued share capital as at the respective period (US cents)	0.3	0.3	0.3	0.3

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

9. Property, plant and equipment

During the six months ended 31 August 2022, the Group acquired assets excluding addition for right-of-use assets amounting to US\$198,000 (28 February 2022: US\$341,000) and disposed of assets amounting to Nil (28 February 2022: US\$2,000).

10. Intangible assets

	Patents	Trademarks	Total
	USD'000	USD'000	USD'000
Cost			
At 1 March 2021	30	19	49
Additions	1	–	1
At 28 February 2022	31	19	50
Additions	1	–	1
At 31 August 2022	32	19	51
Accumulated amortisation			
At 1 March 2021	29	18	47
Amortisation for the financial year	1	–	1
At 28 February 2022	30	18	48
Amortisation for the period	–	1	1
At 31 August 2022	30	19	49
Carrying amount			
At 28 February 2022	1	1	2
At 31 August 2022	2	–	2

11. Trade and other receivables

	Group		Company	
	As at 31 August 2022	As at 28 February 2022	As at 31 August 2022	As at 28 February 2022
	USD'000	USD'000	USD'000	USD'000
Trade receivables	5,130	6,574	–	–
Less: Loss allowance	(163)	(180)	–	–
	4,967	6,394	–	–
Non-trade amounts due from subsidiaries	–	–	2,548	2,977
Deposits	63	70	–	–
Other receivables	37	36	–	–
Prepayments	371	224	1	17
	5,438	6,724	2,549	2,994

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

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

12. Share capital

	Group and Company			
	As at 31 August 2022		As at 28 February 2022	
	Number of shares	Amount	Number of shares	Amount
	'000	USD'000	'000	USD'000
Balance at beginning and end of period	4,962,166	15,851	4,962,166	15,851

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

There were no outstanding convertibles as at 31 August 2022 and 28 February 2022.

There were no treasury shares as at 31 August 2022 and 28 February 2022.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 31 August 2022 and 28 February 2022.

13. Borrowings

	Group	
	As at 31 August 2022	As at 28 February 2022
	USD'000	USD'000
Non-current		
Bank loan C (unsecured)	504	761
Lease liabilities	408	541
	912	1,302
Current		
Working capital bank loan A (unsecured)	1,032	977
Working capital bank loan B (secured)	1,248	1,721
Bank loan C (unsecured)	465	474
Bank loan D (unsecured)	145	—
Bills payable	956	795
Lease liabilities	202	214
	4,048	4,181
	4,960	5,483

- (i) Unsecured working capital bank loan A is guaranteed by the Company and its subsidiaries.
- (ii) Secured working capital bank loan B is secured against legal mortgages over a personal property of a director of the Group and is guaranteed by the Company and its subsidiaries.
- (iii) Unsecured bank loan C is guaranteed by the Company.

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

13. Borrowings (cont'd)

- (iv) 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 approximate the general credit terms given by suppliers that the subsidiary trades with.
- (v) Bills payable are guaranteed by the Company. In the current financial period, the weighted average effective interest rate of bills payable of the Group is 3.15% per annum. Bills payable are guaranteed by the Company.

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

	Bank loan A & B USD'000	Bank loan C & D USD'000	Bills payable USD'000	Lease liability USD'000	Total USD'000
Balance at 1 March 2021	2,696	–	–	558	3,254
Changes from financing cash flows:					
- Proceeds	3,346	748	162	–	4,256
- Repayments	(3,638)	(36)	–	(142)	(3,816)
- Interest paid	(71)	(4)		(11)	(86)
Non-cash changes:					
- Interest expenses	71	4	–	11	86
Effect of changes in foreign exchange rates	2	(3)	–	(9)	(10)
Balance at 31 August 2021	2,406	709	162	407	3,684
Balance at 1 March 2022	2,697	1,235	795	755	5,482
Changes from financing cash flows:					
- Proceeds	3,499	151	1,262	–	4,912
- Repayments	(3,702)	(233)	(1,101)	(101)	(5,137)
- Interest paid	(69)	(11)	(5)	(17)	(102)
Non-cash changes:					
- Interest expenses	69	11	5	17	102
Effect of changes in foreign exchange rates	(215)	(39)	–	(44)	(298)
Balance at 31 August 2022	2,279	1,114	956	610	4,959

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

13. Borrowings (cont'd)

Terms and conditions of outstanding bank loans are as follows:

Group	Nominal Interest rate %	Financial Year of maturity	As at 31 August 2022		As at 28 February 2022	
			Fair value	Carrying amount	Fair Value	Carrying amount
			USD'000	USD'000	USD'000	USD'000
RMB floating rate loan A	120% of bank's board rate	2023	1,032	1,032	977	977
RMB floating rate loan B	China's Loan Prime Rate + 1.6% per annum	2023	1,248	1,248	1,721	1,721
SGD fixed rate loan C	2.0%	2025	969	969	1,235	1,235
RMB fixed rate loan D	4.85%	2024	145	145	-	-
			3,394	3,394	3,933	3,933

14. Trade and other payables

	Group		Company	
	As at 31 August 2022	As at 28 February 2022	As at 31 August 2022	As at 28 February 2022
	USD'000	USD'000	USD'000	USD'000
Trade payables	641	663	-	-
Non-trade amounts due to subsidiaries	-	-	48	48
Accrued operating expenses	174	299	88	141
Other payables	499	461	7	17
	1,314	1,423	143	206

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

15. Capital Commitments

Capital commitments not provided for in the financial statements:

	Group	
	As at 31 August 2022	As at 28 February 2022
	USD'000	USD'000
Capital commitment in respect of plant and machinery	35	208

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

16. Subsequent events

There are no known subsequent events which led to adjustments to this set of interim financial statements.

F. Other information required by Listing Rule Appendix 7.2

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

The condensed consolidated statement of financial position of Nico Steel Holdings Limited and its subsidiaries as at 31 August 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

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

Review of Group's Results

Group's revenue decreased by 8.6% from US\$10.0 million for the six months ended 31 August 2021 ("HY2022") to US\$9.1 million for the six months ended 31 August 2022 ("HY2023"). The decrease was mainly due to market disruption and lower demand owing to various factors including, supply chain disruption, the war in Ukraine, interest rate increase and continuing trade wars between the US and China.

Revenue Analysis by Product Categories

	6 months ended 31 August 2022		6 months ended 31 August 2021		YoY Change
	USD'000	% of revenue	USD'000	% of revenue	
Customised Solutions	7,661	84.1	8,506	85.4	-9.9%
Nico Brand of Metal Alloys	1,452	15.9	1,460	14.6	-0.5%
	9,113	100.0	9,966	100.0	-8.6%

Geographically, China remained as the key revenue contributor to the Group in HY2023, contributing 85.9% of the Group's total revenue, compared to 74.5% in HY2022. Revenue contribution from Thailand decreased from 24.0% in HY2022 to 11.7% in HY2023 due to the decrease of customers' orders.

Cost of Sales

In tandem with the decrease in revenue, cost of sales decreased by 9.2% from US\$8.1 million in HY2022 to US\$7.4 million in HY2023.

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

Gross Profit and Gross Profit Margin

Gross profit decreased by 5.6% from US\$1.9 million in HY2022 to US\$1.8 million in HY2023. This was mainly due to the raising of raw materials' prices. However, as the share of Nico Brand of Metal Alloys in sales rose from 14.6% in HY2022 to 15.9% in HY2023, gross profit margin increased slightly from 18.7% in HY2022 to 19.3% in HY2023.

Interest Income from Banks

Interest income increased from US\$1,000 in HY2022 to US\$3,000 in HY2023, mainly due to interest income settled from foreign currency option entered by one of Group's China subsidiaries with the bank during the reporting period.

Other Income

Other income increased significantly from US\$58,000 in HY2022 to US\$373,000 in HY2023. This was mainly due to foreign exchange gain recorded as the US dollar appreciated against the Renminbi during the financial period under review.

Distribution, Administrative, Other Operating and Finance Expenses

Although revenue decreased 8.6%, distribution expenses increased 5.0% from US\$221,000 in HY2022 to US\$232,000 in HY2023. This was mainly due to freight charges increased in the reporting period.

Administrative expenses increased by 9.9% from US\$1.3 million in HY2022 to US\$1.5 million in HY2023, mainly due to (i) the net amount of reversed provision for stock obsolescence in HY2023 decreased compared with the Group reversed provision for stock obsolescence in HY2022; and (ii) staff cost increased in HY2023.

Other expenses were US\$15,000 in HY2022 which represented foreign exchange loss recorded. Group recognised foreign exchange gain under other income in HY2023.

Finance costs increased 43.0% from US\$86,000 in HY2022 to US\$123,000 in HY2023. The increase was mainly due to the increase in interest rate of bank loans and bills payable in HY2023.

Income tax expenses decreased 23.6% from US\$115,000 in HY2022 to US\$88,000 in HY2023, as a result of one of the Group's China subsidiaries reporting loss before income tax in HY2023.

Taking into account the above mentioned, the Group recorded a net profit attributable to the equity holders of the Company of US\$220,000 in HY2023, increased by 38.4% compared to a net profit attributable to the equity holders of the Company of US\$159,000 in HY2022. However, the profit was mainly from foreign exchange gain in HY2023.

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

Assets and liabilities

Non-current assets decreased by US\$206,000 from US\$3.8 million as at 28 February 2022 to US\$3.6 million as at 31 August 2022. This was mainly due to the Group's right-of-use assets decreased in HY2023 as Thailand subsidiary terminated the lease of its store with the landlord during the financial period.

Current assets decreased by US\$1.3 million from US\$20.3 million as at 28 February 2022 to US\$19.0 million as at 31 August 2022, mainly due to:

- (i) trade and other receivable decreased by US\$1.3 million from US\$6.7 million as at 28 February 2022 to US\$5.4 million as at 31 August 2022. The reduction was mainly due to the improvement in debtors' turnover as the Group closely monitor and manage its credit risks; and
- (ii) cash and cash equivalents decreased by US\$570,000 from US\$4.5 million as at 28 February 2022 to US\$3.9 million as at 31 August 2022. The decrease was mainly due to the repayment of bank borrowings by Singapore subsidiary and one of the Group's China subsidiaries in HY2023.

The decrease in current assets was partially offset by marginal increase in inventories by 3.0% from US\$8.5 million as at 28 February 2022 to US\$8.7 million as at 31 August 2022, as a result of an increase in purchases of raw materials by one of the Group's China subsidiaries in HY2023 to meet customers' orders.

Non-current liabilities decreased by US\$391,000 from US\$1.3 million as at 28 February 2022 to US\$932,000 as at 31 August 2022. The decrease was mainly due to the repayments of long-term loan US\$205,000 of Singapore subsidiary under Temporary Bridging Loan Programme for SMEs during the financial period.

Current liabilities decreased by US\$328,000 from US\$5.7 million as at 28 February 2022 to US\$5.4 million as at 31 August 2022. This was mainly due to the increase in repayment of bank borrowings to reduce the reliance on banking facilities.

Equity

Equity comprises share capital, reserves, accumulated profits, and non-controlling interests. The total equity of the Group decreased by US\$764,000 from US\$17.1 million as at 28 February 2022 to US\$16.3 million as at 31 August 2022 due to other comprehensive loss in currency translation reserve.

Review of Group's Cash Flows

Net cash used in operations amounted to US\$52,000 in HY2023, as compared to net cash generated from operations of US\$277,000 in HY2022. The negative cash flow was mainly due to the currency translation adjustments in HY2023.

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

Review of Group's Cash Flows (cont'd)

Net cash used in investing activities was increased from US\$144,000 in HY2022 to US\$195,000 in HY2023 due to costs expended on the purchase of property, plant and equipment.

Net cash used in financing activities amounted to US\$327,000 in HY2023, as compared to net cash generated from financing activities of US\$354,000 in HY2022. The negative cash flow was mainly due to the repayment of bank loan and bills payable in HY2023.

Overall, the Group generated net cash outflows of US\$924,000 in HY2023 as compared to net cash inflows of US\$487,000 in HY2022.

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

Not applicable.

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

Geopolitical uncertainties continue. The ongoing war between Russia and Ukraine, continued US-China tensions, rising interest rates, record inflation rates brought on by previous loose credit policies, and higher raw material, commodities and energy costs are threatening economic recoveries worldwide. As economic growth worldwide is at risk, we expect that our main market in China will also not be spared. The current geopolitical tensions have also resulted in severe supply chain, resulting in higher operation costs. Also, the ongoing dynamic zero Covid policy in China remains a risk to Group's business. Based on above and unforeseen circumstances, the Group expects the challengers for its business in the next 12 months.

The Group continued to drive its business focusing on its NICO brand of metal alloys and materials, as well as the recycle solutions materials. As of today, NICO is the only company in China that can provide not only Aluminium materials with recycled content of 80% and above (A5052 R80 and A1060 R80), but also the Stainless Steel materials with recycled content of 90% and above (Nico SUS 304 R90) and Copper Alloy materials with recycled content of 95% and above (NicoCA2 R95) which have been certified by SCS Global Services. By saving the carbon footprint and providing the sustainability solutions by using Nico Eco-Recycle material, NICO's customers can meet the European Union Metals Ecosystem Directive and reduce carbon footprint in their product life cycle assessment. NICO hopes that this would give it a first-mover advantage and become the preferred supplier of designated recycled materials for its customers.

As a result of the ongoing urbanisation by the city government of Suzhou which is taking place within the vicinity of the Group's Suzhou production facilities, the subsidiaries in China plan to shift their operations to the northern region of Jiangsu Province. The wholly owned new subsidiary which incorporated on 30

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

September 2021 in Jiangsu is not expected to have any material impact on the earnings per share and net tangible asset per share of the Group for next 12 months.

The Singapore subsidiary has completed the construction phase of its Liquid Forging Project. Production equipment has been installed and will be put into trial operation within second half of FY2023.

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

5. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

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

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

There were no interested person transactions, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into by the Group or by the Company during the half-year ended 31 August 2022.

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

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

The Board of Directors of the Company hereby confirm to the best of its knowledge nothing has come to its attention which may render unaudited interim financial results for the six months ended 31 August 2022 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman and President
13 October 2022