
**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE ANNUAL REPORT FOR FINANCIAL YEAR ENDED 28
FEBRUARY 2021 AND SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING TO
BE HELD ON 29 JUNE 2021**

The Board of Directors (the “**Board**”) of Nico Steel Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refer to the announcement dated 11 June 2021 in relation to the Annual General Meeting to be held by way of electronic means on 29 June 2021 (the “**Announcement**”).

Further to the Announcement, the Board and Management had received questions from Securities Investors Association (Singapore) (“**SIAS**”) and a shareholder for the period from 14 June 2021 to 21 June 2021 (“**Questions**”). Questions received from SIAS and a shareholder but are not provided with any response are due to reasons of commercial sensitivity or not substantial and not relevant. The Company and the Board wish to provide its responses to questions that are substantial and relevant as set out in the Appendix A.

The Company would like to thank all shareholders for questions submitted in advance.

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman & President

Date: 29 June 2021

Appendix A

Question

What is the management going to do about in the resumption of trading of its shares on SGX?

Company's Response:

On 16 October 2020, the Company received a notification of delisting from the Singapore Exchange Regulation Pte. Ltd. ("**SGX Regco**"). The Company's shares were mandatorily suspended on 16 November 2020 from 0900 hours, pending the completion of a cash exit offer to be provided to shareholders other than the offering controlling shareholder.

The Company would like to clarify for shareholders' benefit that a delisting notification cannot be appealed against.

Although two controlling shareholders had each provided an undertaking to the SGX Regco to make a fair and reasonable cash exit offer to all other shareholders ("**Undertaking Shareholders**"), the Company and the Board are unable to make any comments for and on the behalf of these controlling shareholders, in view of the need to remain independent and to comply with the Rules of the Takeover Code. Therefore, we apologise that we are unable to comment on the provisions of the letters of undertaking provided by these controlling shareholders to the SGX Regco.

Insofar as whether the Company itself is able to make a cash exit offer that is fair and reasonable to shareholders, other than the Undertaking Shareholders, shareholders would note that the Group has returned to profits of USD881,000 for the financial year ended 28 February 2021, a dramatic reversal from the financial year ended 29 February 2020 ("**FY2020**") where it recorded a loss of USD1,359,000. In fact, the Group has been improving since 2018, except for FY2020 which was tough year for all owing to COVID-19.

In terms of meeting the Financial Exit Criteria, the Company has failed in the second limb of Rule 1314, which requires the Company to have an average daily market capitalisation of S\$40 million or more over the [relevant] last 6 months.

The Company is not in financial distress and is a viable going concern, with reasonable business prospects, and has cash and cash equivalent sufficient for its operating requirements. However, the Company does not have excess capital or sufficient distributable profits to propose a capital reduction for the purpose of making a fair and reasonable cash exit offer in compliance with Rule 1309 of the Listing Manual of the SGX-ST.

The Board, in fulfilling its fiduciary duties, is also unable to recommend any form of voluntary break-up of the Group's assets for the purpose of making a distribution-in-specie to shareholders.

Any break-up of the Group's assets may trigger a default of the Group's banking facilities and other legal obligations which will have adverse and unintended consequences.

In terms of the prospects of the Group, it has announced on 27 April 2021 the following:

1. Currently, the Company's Singapore subsidiary is in the research and development stage of its Liquid Forging Project. Production equipment will be installed and be put into trial operation within FY2022;
2. As a result of the ongoing urbanisation by the city government of Suzhou, China, which is taking place within the vicinity of the Group's Suzhou production facilities, plans to shift its operations to the northern region of Jiangsu Province could be beneficial because it could result in more cost efficiency for the Company's China operations.

The Company has also stated in its Annual Report published on 11 June 2021 that NICO has become the first company in China in the Aluminium industry to have been twice-certified with the 80% minimum pre-consumer scrap recycled aluminium alloy by SCS Global Services (A5052 R80 and A1060 R80). As of today, NICO is the only company in China that can provide Aluminium materials with recycled content of 80% and above. NICO hopes that this would give it a first-mover advantage and be the appointed recycled material supplier of choice to customers.

The Company will update shareholders on its plans once it has formulated a plan with its advisors.