
RESPONSE TO SGX-ST QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 28 FEBRUARY 2021

The Board of Directors (the “**Board**”) of Nico Steel Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 21 June 2021 in respect of the Company’s annual report for the financial year ended 28 February 2021 (“**Annual Report**”) as follows : -

SGX-ST’s Query 1 :

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 9.2(b) of the Code as there is no disclosure in the Annual Report that the Board has received assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the issuer’s risk management and internal control systems, and there were no explanations provided for in the Annual Report on how it is consistent with the intent of Principle 9 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 9 of the Code, which requires the Board to be responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Company’s Response :

The Audit Committee (“**AC**”), in making the assessment on the Group’s internal controls, has also taken into account the internal controls established and maintained by the Group; work performed and audit findings by the independent external auditors; regular reviews undertaken by the Management and AC; additional internal controls instituted by the Executive Chairman and President and Group Finance Manager; as well as the assurance received from the Executive Chairman and President and Group Finance Manager : (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances for the financial year ended 28 February 2021; and (b) regarding the adequacy and effectiveness of the Group’s risk management and internal control systems. Thus, based on the aforesaid basis, the AC also concurs with the Board that the Company’s internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for the financial year ended 28 February 2021 as disclosed on page 31 of the Annual Report.

The AC will continue to monitor the effectiveness of these controls and augment them with new controls implementation to ensure that the controls remain relevant and adequate in our ever-changing operational and business landscape.

SGX-ST's Query 2 :

Listing Rule 716 provides, inter alia, that an issuer may appoint different auditing firms for its subsidiaries or significant associated companies, provided that the Board and Audit Committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer. In this regard, we note that the Company has disclosed on page 75 of the Annual Report that its subsidiaries are audited by Sukhum International Audit Co Ltd and Suzhou Fangben Certified Public Accountants. Please confirm that the Board and Audit Committee are satisfied that these appointments would not compromise the standard and effectiveness of the Company's audit and the basis for their assessment.

Company's Response :

The Board and AC are satisfied that the appointments of Sukhum International Audit Co Ltd ("**Sukhum International**") and Suzhou Fangben Certified Public Accountants ("**Suzhou Fangben**") would not compromise the standard and effectiveness of the audit of the issuer for the following reasons.

Sukhum International has been appointed as auditor of the Company's subsidiary in Thailand since 2005 and has been reporting on an annual basis directly to Messrs Baker Tilly TFW LLP, the Company's main auditor. Till date, there have been no adverse observations by Messrs Baker Tilly TFW LLP on the work performed by Sukhum International. Aside from that, the Company intends to continue with Sukhum International's appointment as auditor due to the familiarity with the Subsidiary's operational profile in Thailand.

Suzhou Fangben has been the statutory auditor for the Company's subsidiaries in China since 2002. It is a legal requirement for all China registered entities to submit audited reports for the calendar year i.e. January 1 to December 31. The audit work performed by Suzhou Fangben is not part of the Group audit managed and conducted by Messrs Baker Tilly TFW LLP for the purposes of the Company's statutory reporting in Singapore.

Messrs Baker Tilly TFW LLP, working with Baker Tilly China Certified Public Accountants (an independent member firm of Baker Tilly International), however, conducts the audit review for the Company's subsidiaries in China for its financial year ending on 28 February. Baker Tilly China conducts the field work for the audit for the financial year ending 28 February and reports directly to Messrs Baker Tilly TFW LLP and does not use, rely on, nor review, the work performed by Suzhou Fangben.

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman & President

Date: 23 June 2021