
RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS 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 additional information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 3 May 2021 in respect of the Company’s unaudited full year financial statements for the financial year ended 28 February 2021 announced on 27 April 2021.

SGX-ST’s Query 1 :

It is disclosed in the unaudited financial results that the Company reported trade and other receivables amounting to US\$6.16 million. Please disclose:-

- (i) a breakdown of the Group’s trade and other receivables;
- (ii) the nature and breakdown of the Group’s other receivables;
- (iii) the underlying transactions and terms of the transactions (including the contract sum) and payment terms of the underlying contracts;
- (iv) aging of the Group’s trade receivables; and
- (v) the Company’s plans to recover the trade and other receivables.

Company’s Response :

- (i) Breakdown of the Group’s trade and other receivables;
- (ii) The nature and breakdown of the Group’s other receivables;
- (iii) The underlying transactions and terms of the transactions (including the contract sum) and payment terms of the underlying contracts;

Trade and other receivables

	Group 2021 US\$
Trade receivables	5,777,636
Less: Loss allowance*	(191,603)
	5,586,033
Other receivables:	
- Proceeds from disposal of financial assets at FVTPL	60,160
- GST/VAT receivables	15,845
- Withholding tax receivable	6,540
- Others	35,067
	117,612
Deposits	92,101
Prepayments	363,977
	6,159,723

Note:

* Loss allowance on trade receivables of US\$191,603 was provided in FY 29 February 2020.

Trade receivables are non-interest bearing and the credit terms extended to customers generally ranging from 30 to 90 days.

Other receivables are as set out in the breakdown above and are incurred in the ordinary course of business activities and operations of the Group.

(iv) Aging of the Group's trade receivables; and

	Current	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>150 days	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<u>At 28.2.2021</u>								
Group's trade receivables	3,838,909	789,273	699,882	15,169	218,206	1,554	23,040	5,586,033
% of Group's trade receivables	68.8%	14.1%	12.5%	0.3%	3.9%	0.0%	0.4%	100%

(v) The Company's plans to recover the trade and other receivables

1. The Group is regularly monitoring and reviewing the trade receivable ageing and following up the payment status with customers through phone call or email in ensuring faster collections.
2. Following up closely with slow-paying customers.
3. The major trade receivables of the two subsidiaries in People's Republic of China are insured by third party insurance companies.
4. In addition to the above, the Group may seek legal advice on possible recourse actions to recover the debts.

SGX-ST's Query 2 :

Please provide information on the Group's inventory turnover days.

Company's Response :

	Group 2021
Inventory turnover days (Days)	<u>226</u>

SGX-ST's Query 3 :

Please disclose a breakdown of trade and other payables/other payables amounting to US\$1.48 million as at 28 February 2021. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response :**Breakdown of trade and other payables :**

	Group 2021 US\$
Trade payables	512,379
Accrued operating expenses	388,908
Other payables	586,441
	<u>1,487,728</u>

Other payables aging as at 28 February 2021:

Other payables are aged within one year.

Nature of other payables :

Other payables mainly comprise of sundry payables for freight charges, repair and maintenance expenses, stationery expenses, VAT tax payable and other consumable expenses incurred during the ordinary course of the Group's operation. Their counterparties are not related parties.

SGX-ST's Query 4 :

Please provide the reason(s) for the significant borrowings of US\$2.69 million by the Group when the Group recorded a cash and cash equivalent of US\$3.83 million as at 28 February 2021.

Company's Response :

Secured working capital bank loans of US\$2.69 million were 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 a subsidiary in People's Republic of China. The repayment term of these bank loans are 180 days and 150 days which approximates the general credit term given by suppliers that the subsidiary trades with.

The Group recorded a cash and cash equivalent of US\$3.83 million as at 28 February 2021. The Group has taken precautionary steps to conserve cash resources for expansion and growth amid the current challenging business environment. At the current stage, the expected working capital requirements in the next 12 months are as following:

1. Investment of production equipment in Singapore entity's factory to fulfil the additional investment requirement for the further term lease of 20 years from 1 January 2023;
2. Research and development cost for the Liquid Forging Project in Singapore entity; and
3. Relevant cost for Group's China entities to shift its operations to the northern region of Jiangsu Province and the cost for its cost-benefits analysis.

SGX-ST's Query 5 :

Please provide the reason(s) for the significant accounts payables/trade and other payables of US\$1.48 million when the Group recorded a cash and cash equivalent of US\$3.83 million as at 28 February 2021.

Company's Response :

Trade payables and other payables increased by 12.4% from US\$977,892 as at 29 February 2020 to US\$1,098,820 as at 28 February 2021, which is in line with business operations of the Group and the past practices. Accrued operating expenses of US\$388,908 as at 28 February 2021 mainly comprised professional fees (i.e. audit fees, tax and secretarial fees), directors' remunerations and staff remunerations. These expenses were incurred towards the end of the financial year which will be paid in the following year.

The Group recorded a cash and cash equivalent of US\$3.83 million as at 28 February 2021. The Group has taken precautionary steps to conserve cash resources for expansion and growth amid the current challenging business environment. At the current stage, the expected working capital requirements in the next 12 months are as following:

1. Investment of production equipment in Singapore entity's factory to fulfil the additional investment requirement for the further term lease of 20 years from 1 January 2023;
2. Research and development cost for the Liquid Forging Project in Singapore entity; and
3. Relevant cost for Group's China entities to shift its operations to the northern region of Jiangsu Province and the cost for its cost-benefits analysis.

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman & President

Date : 6 May 2021