

Half Year Financial Statement And Related Announcement for the period ended 31 August 2016
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year
CONSOLIDATED INCOME STATEMENT

(Amount expressed in thousands of United States dollar ("USD"))

	Group		(Decrease)
	HY2017	HY2016	
	USD'000	USD'000	
Revenue	7,207	10,078	(28%)
Cost of sales	(5,655)	(8,418)	(33%)
Gross profit	1,552	1,660	(7%)
Other income	36	39	(8%)
Distribution expenses	(150)	(261)	(43%)
Administrative expenses	(2,045)	(2,282)	(10%)
Results from operating activities	(607)	(844)	(28%)
Finance costs	(51)	(132)	(61%)
Loss before income tax	(658)	(976)	(33%)
Income tax expenses	10	(65)	n.m
Loss for the period	(648)	(1,041)	(38%)
Loss attributable to:			
Owners of the Company	(638)	(1,021)	(38%)
Non-controlling interests	(10)	(20)	(50%)
	(648)	(1,041)	(38%)

Note:

n.m denotes not meaningful

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1(b) Consolidated Statement of Comprehensive Income for half year ended 31 August 2016 and 31 August 2015.

	Group		
	HY2017	HY2016	Increase/ (Decrease)
	USD'000	USD'000	%
Loss for the period	(648)	(1,041)	(38%)
Other comprehensive loss for the period			
Translation differences relating to financial statements of foreign subsidiaries	(60)	(419)	(86%)
Total comprehensive loss for the period	(708)	(1,460)	(52%)
Total comprehensive loss attributable to:			
Owners of the Company	(712)	(1,463)	(51%)
Non-controlling interests	4	3	33%
	(708)	(1,460)	

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Notes:

Loss before tax is arrived at after charging / (crediting) the following items:

	Group	
	<u>HY2017</u>	<u>HY2016</u>
	USD'000	USD'000
Amortisation of intangible assets	1	1
Depreciation of property, plant and equipment	116	158
Foreign exchange loss	127	195
Interest expense	52	132
Interest income	(1)	(1)
Key management remuneration included in staff costs	297	345
Loss on disposal of property, plant and equipment	-	2
Operating lease expenses	124	176
Staff costs	<u>821</u>	<u>1,012</u>

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1(c)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

(Amounts expressed in thousands of United States dollar ("USD"))

	Group		Company	
	As at 31/08/2016 USD'000	As at 29/02/2016 USD'000	As at 31/08/2016 USD'000	As at 29/02/2016 USD'000
Non-current assets				
Property, plant and equipment	3,550	3,689	-	-
Investments in subsidiaries	-	-	7,764	7,764
Long-term investments	18	18	18	18
Intangible assets	5	5	-	-
Deferred tax assets	56	54	-	-
	<u>3,629</u>	<u>3,766</u>	<u>7,782</u>	<u>7,782</u>
Current assets				
Inventories	8,560	8,317	-	-
Trade and other receivables	5,842	6,012	1,308	1,322
Cash and bank balances	678	1,944	25	96
	<u>15,080</u>	<u>16,273</u>	<u>1,333</u>	<u>1,418</u>
Total assets	<u>18,709</u>	<u>20,039</u>	<u>9,115</u>	<u>9,200</u>
Share capital and reserves				
Share capital	9,264	8,410	9,264	8,410
Reserves	(1,447)	(1,372)	-	-
Accumulated profits/(losses)	3,620	4,257	(1,731)	(1,121)
Equity attributable to owners of the Company	11,437	11,295	7,533	7,289
Non-controlling interests	(639)	(643)	-	-
Total equity	<u>10,798</u>	<u>10,652</u>	<u>7,533</u>	<u>7,289</u>
Non-current liabilities				
Borrowings	1	6	-	6
Deferred tax liabilities	10	10	-	-
	<u>11</u>	<u>16</u>	<u>-</u>	<u>6</u>
Current liabilities				
Trade and other payables	4,562	4,301	1,528	1,881
Bills payable	749	1,861	-	-
Bond payable	37	-	36	-
Borrowings	2,547	3,178	18	23
Current tax payable	5	31	-	1
	<u>7,900</u>	<u>9,371</u>	<u>1,582</u>	<u>1,905</u>
Total liabilities	<u>7,911</u>	<u>9,387</u>	<u>1,582</u>	<u>1,911</u>
Total equity and liabilities	<u>18,709</u>	<u>20,039</u>	<u>9,115</u>	<u>9,200</u>

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1(c)(ii) Aggregate amount of group's borrowings and debt securities.

	Group	
	As at 31/08/2016 USD'000	As at 29/02/2016 USD'000
Amounts repayable in one year or less, or on demand		
Unsecured bank overdraft	5	-
Secured bank loans	2,524	3,154
Obligations under hire purchase	18	24
	<u>2,547</u>	<u>3,178</u>
Amounts repayable after one year		
Obligations under hire purchase	1	6
	<u>1</u>	<u>6</u>

Details of any collateral

- Unsecured bank overdraft is guaranteed by the Company.
- USD 1,374,000 secured bank loan is secured against trade receivables in China, amounting to USD 3,255,515 (29 February 2016: USD 3,126,015), and is guaranteed by the Company.
- USD 1,150,000 secured bank loan is secured by the mortgage over the property at 51 Loyang Way and is guaranteed by the Company.
- As at 31 August 2016, the net book value of property, plant and equipment for the Group held under hire purchase arrangements were USD 1,168 (29 February 2016: USD 1,471).

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1(d) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED CASH FLOWS STATEMENT

(Amounts expressed in thousands of United States dollars (“USD”))

	Group	
	HY2017 USD'000	HY2016 USD'000
Operating activities		
Loss before income tax	(658)	(976)
Adjustments for:		
Depreciation of property, plant and equipment	116	158
Amortisation of intangible assets	1	1
Loss on disposal of property, plant and equipment	-	2
Bad debts written off	2	-
Interest expense	52	132
Dividend income	-	(1)
Interest income from banks	(1)	(1)
Equity-settled commitment fees	178	
Effect of exchange rate changes	-	(436)
Operating cash flows before working capital changes	(310)	(1,121)
Changes in working capital:		
Inventories	(243)	1,069
Trade and other receivables	(58)	2,979
Trade and other payables	542	(278)
Bills payable	(1,111)	(3,791)
Currency translation adjustments	(71)	-
Cash used in operations	(1,251)	(1,142)
Income taxes received/(paid), net	50	(109)
Cash flows used in operating activities	(1,201)	(1,251)
Investing activities		
Interest received	1	1
Dividend received	-	1
Purchase of property, plant and equipment	(17)	(27)
Proceeds from disposal of property, plant and equipment	-	3
Purchase of intangible assets	(1)	-
Cash flows used in investing activities	(17)	(22)

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	Group	
	HY2017 USD'000	HY2016 USD'000
Financing activities		
Interest paid	(52)	(132)
Repayment of bank loans	(598)	(3,143)
Proceeds from bank loans	-	3,597
Repayment of loan from directors	(121)	-
Proceeds from loan from directors	-	362
Repayment of finance lease liabilities	(12)	(12)
Proceeds from issue of redeemable convertible bonds	713	-
Cash flows generated from financing activities	(70)	672
Net decrease in cash and cash equivalents	(1,288)	(601)
Cash and cash equivalents at beginning of the period	1,944	1,271
Effect of exchange rate fluctuations on cash held	17	(22)
Cash and cash equivalents at end of the period	673	648

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	Group	
	As at 31/08/16 USD'000	As at 31/08/15 USD'000
Cash and bank balances	678	656
Bank overdraft (unsecured)	(5)	(8)
Cash and cash equivalents at end of the period	673	648



Half Year Financial Statement And Related Announcement for the period ended 31 August 2016

1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts expressed in thousands of United States dollars (“USD”))

	Share capital	Merger deficit	Currency translation reserve	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
The Group								
At 1 March 2015	8,410	(2,825)	1,630	381	7,247	14,843	(605)	14,238
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(1,021)	(1,021)	(20)	(1,041)
Other comprehensive income/(loss)								
Foreign currency translation differences	-	-	(442)	-	-	(442)	23	(419)
	-	-	(442)	-	(1,021)	(1,463)	3	(1,460)
At 31 Aug 2015	8,410	(2,825)	1,188	381	6,226	13,380	(602)	12,778
The Group								
At 1 March 2016	8,410	(2,825)	1,071	381	4,258	11,295	(643)	10,652
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(638)	(638)	(10)	(648)
Other comprehensive loss								
Foreign currency translation differences	-	-	(74)	-	-	(74)	14	(60)
	-	-	(74)	-	(638)	(712)	4	(708)
Transactions with owners, recognised directly in equity								
Issue of ordinary shares related to redeemable convertible bonds	854	-	-	-	-	854	-	854
At 31 Aug 2016	9,264	(2,825)	997	381	3,620	11,437	(639)	10,798

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STATEMENT OF CHANGES IN EQUITY
(Amounts expressed in thousands of United States dollars (“USD”))

	<u>Share capital</u>	<u>Accumulated loss</u>	<u>Total</u>
<u>The Company</u>	USD'000	USD'000	USD'000
At 1 Mar 2015	8,410	(243)	8,167
Loss and total comprehensive loss for the period	-	(213)	(213)
At 31 Aug 2015	8,410	(456)	7,954
At 1 Mar 2016	8,410	(1,121)	7,289
Loss and total comprehensive loss for the period	-	(610)	(610)
Issue of ordinary shares related to redeemable convertible bonds	854	-	854
At 31 Aug 2016	9,264	(1,731)	7,533



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1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The changes to the Company's issued share capital since 29 February 2016 are as following:

Date	Description	No. of shares converted	Conversion Price (S\$)
14 March 2016	Issued commitment shares	10,416,666	S\$0.024
21 March 2016	Conversion of part of the first tranche under Tranche 1 Bonds issued on 15 March 2016	28,571,428	S\$0.021
7 June 2016	Conversion of part of the first tranche under Tranche 1 Bonds issued on 15 March 2016	31,818,181	S\$0.011

There were no outstanding convertibles as at 29 February 2016. As at 31 August 2016, SGD 50,000 of the Tranche 1 Bonds has yet to be converted.

1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	No of shares ('000)	
	As at 31/08/2016	As at 29/02/2016
Number of issued shares	<u>197,621</u>	<u>126,814</u>

There were no treasury shares as at 31 August 2016 and 29 February 2016.

1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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

These figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

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4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation for the current financial period compared with those of the audited financial statements for the year ended 29 February 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period compared to the audited financial statements for the year ended 29 February 2016 except for the adoption of the Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are mandatory for the financial year beginning on or after 1 March 2016. The adoption of these FRSs and INT FRSs has no significant impact to the Group and the Company.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>HY2017</u> USD'000	<u>HY2016</u> USD'000
Net loss for the period attributable to owners of the Company	<u>(638)</u>	<u>(1,021)</u>
	No of shares ('000)	
	<u>HY2017</u>	<u>HY2016</u>
Weighted average number of ordinary shares during the period	176,833	126,814
Loss per share (US cents) - basic and diluted	<u>(0.36)</u>	<u>(0.81)</u>

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31/08/2016 USD'000	As at 29/02/2016 USD'000	As at 31/08/2016 USD'000	As at 29/02/2016 USD'000
Net assets	<u>10,798</u>	<u>10,652</u>	<u>7,533</u>	<u>7,289</u>
Net asset value per ordinary share based on the total number of issued shares as at the respective period (US cents)	<u>5.5</u>	<u>8.4</u>	<u>3.8</u>	<u>5.7</u>

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors;

REVIEW OF RESULTS OF OPERATIONS
REVENUE
Breakdown of Group's Revenue by Product Categories

	HY2017		HY2016	
	USD'000	% of revenue	USD'000	% of revenue
Revenue from:				
Commercial Metal Alloys	1,458	20.2	2,494	24.7
Customised Metal Alloys	4,433	61.5	6,737	66.9
NICO Branded Materials	1,316	18.3	847	8.4
Total	<u>7,207</u>	<u>100.0</u>	<u>10,078</u>	<u>100.0</u>

The overall revenue of the Group has reduced by 28.7% from USD 10.1 million in HY 2016 to USD 7.2 million in HY 2017. The decrease was mainly contributed by a general reduction in market demand and intense market competition.

Despite the reduction in the overall Group's revenue, the Group has made better progress in HY 2017 to promote NICO Branded Materials. The revenue arising from the sales of this product accounted for 18.3% of the Group's total revenue in HY 2017 compared to 8.4% of the Group's total revenue in HY 2016.

Geographically, the PRC remained as the key revenue driver in HY 2017, contributing 76.7% of the Group's total revenue, as compared to 61.7% in HY 2016. Thailand and the United States contributed 18.1% and 3.7% respectively to the Group's revenue in HY 2017, as compared to 15.9% and 6.0% in HY 2016.

GROSS PROFIT MARGIN

Despite the decrease in overall Group revenues, the Group's gross profit margin has increased from 16.5% in HY 2016 to 21.5% in HY 2017. The improvement was mainly due to (i) the higher gross margin derived from the sales of NICO Branded Materials; (ii) the Group's effort to develop the new plating project with higher margins with new and existing customers; and (iii) the Group's continued focus on higher margin value added segment.

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OTHER INCOME

Other income decreased by 7.7% from USD 39,000 in HY 2016 to USD 36,000 in HY 2017.

DISTRIBUTION, ADMINISTRATIVE, OTHER OPERATING AND FINANCE EXPENSES

Distribution costs decreased 42.5% from USD 261,000 in HY 2016 to USD 150,000 in HY 2017. The decrease was in line with the reduction of overall revenue.

Administrative expenses decreased by 13.0% from USD 2.3 million in HY 2016 to USD 2.0 million in HY 2017. The decrease was mainly contributed by an overall decrease in staff costs and tighter cost control measures implemented by the Group.

Finance costs decreased by 61.4% from USD 132,000 in HY 2016 to USD 51,000 in HY 2017. The decrease was mainly due to (i) the repayment of a bank loan and (ii) the prompt repayment of bills payable of a subsidiary in Singapore in HY 2017.

The positive status of tax expenses in HY 2017 was due to the Group over-accruing tax expenses in FY 2016.

UTILIZATION OF THE NET PROCEEDS FROM THE BONDS ISSUED ON 15 MARCH 2016

USE OF PROCEEDS - BOND ISSUE	Amount S\$'000	Amount S\$'000
Net Proceeds from the Initial Bond#		915
Less:		
Repayment of loans from Parot Tovot LLC	260	
Repayment of loans from Nico Steel Solutions (S) Pte Ltd	300	
Group's general working capital*	141	
Legal and professional fee in relation to RCB issued	175	
Total usage of proceeds		(876)
Balance of Net Proceeds		39

Net Proceeds from the Initial Bond of SGD 915,000 was after deduction of transaction costs amounting to SGD 85,000, including arranger's fee and legal fee of VCAM incurred.

* Funds used for the Group's general working capital were for staff costs.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Trade and other receivables decreased by 1.7% from USD 5.9 million as at 29 February 2016 to USD 5.8 million as at 31 August 2016. The reduction was mainly due to the overall reduction in revenue.

Cash at bank and in hand decreased by 63.2% from USD 1.9 million as at 29 February 2016 to USD 0.7 million as at 31 August 2016. The reduction was mainly due to (i) the repayment of a bank loan and (ii) the prompt repayment of bills payable of a subsidiary in Singapore in HY 2017.

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Inventories increased by 3.6% from USD 8.3 million as at 29 February 2016 to USD 8.6 million as at 31 August 2016.

Trade and other payables, and bills payable decreased by 13.1% from USD 6.1 million as at 29 February 2016 to USD 5.3 million as at 31 August 2016. The decrease was mainly due to the Group's efforts to manage its subsidiary in Singapore to repay its bills payable promptly to reduce the Group's reliance on bank trade facilities.

Financial liabilities decreased by 21.9% from USD 3.2 million as at 29 February 2016 to USD 2.5 million as at 31 August 2016. The decrease was mainly due to the repayment of a bank loan of a subsidiary in Singapore in HY 2017.

REVIEW OF CASH FLOW STATEMENT

The Group recorded a net cash outflow from its operating activities of USD 1.2 million in HY 2017 (HY 2016: net cash outflow of USD 1.3 million). The deficit in cash flows was mainly due to the overall reduction in the Group's recorded revenues, longer repayment period from trade receivables and the settlement of trade payables.

For the half year period ending 31 August 2016, the Group raised proceeds of USD 713,000 from the issue of Redeemable Convertible Bonds.

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

No forecast or prospect statement has been previously disclosed to shareholders.

10. 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.

The Group is cautious about the Company's forthcoming second half prospects due to market challenges such as the continued weakness in the Europe, foreign exchange movements, the lower GDP growth in China, shrinking market demand and negative consumer sentiments from the Group's key market.

The Group will continue to promote the Nico Branded Materials, review its operations, enhance governance and stay competitive.

The Group will also continue to explore opportunities in new markets to improve its future income stream.

11. 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.

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(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for the period under review.

13. 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 was no interested person transactions, as defined in Charter 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 2016.

14. 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 half-year ended 31 August 2016 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors of
NICO STEEL HOLDINGS LIMITED

Tan Chee Khiong
Chairman & President

Gavin Mark McIntyre
Independent director

15. 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
Chairman and President
7 October 2016