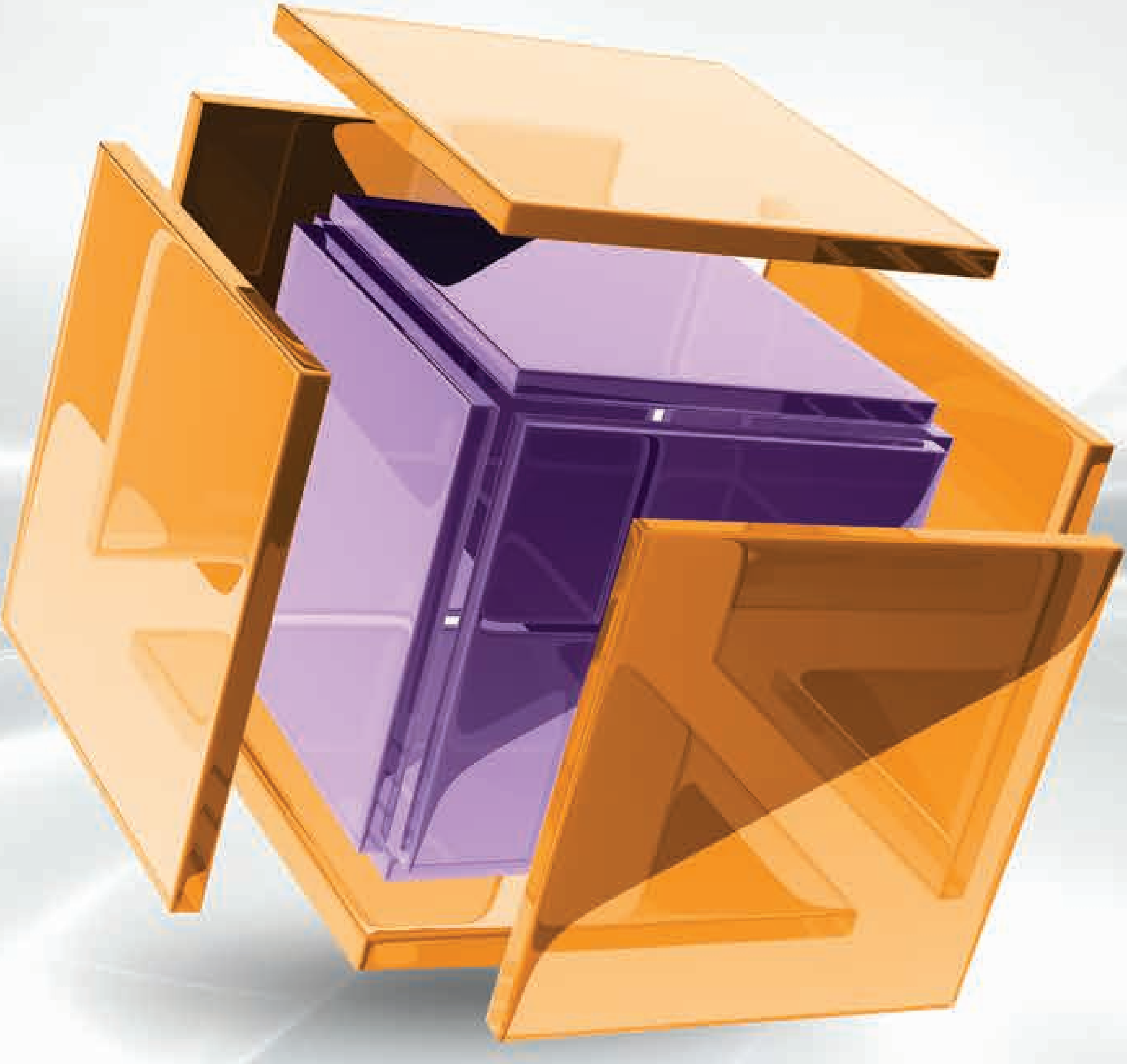
Nico Steel Solutions™
Think Innovation

ANNUAL REPORT 2017



FOCUS | PERFORM | DELIVER

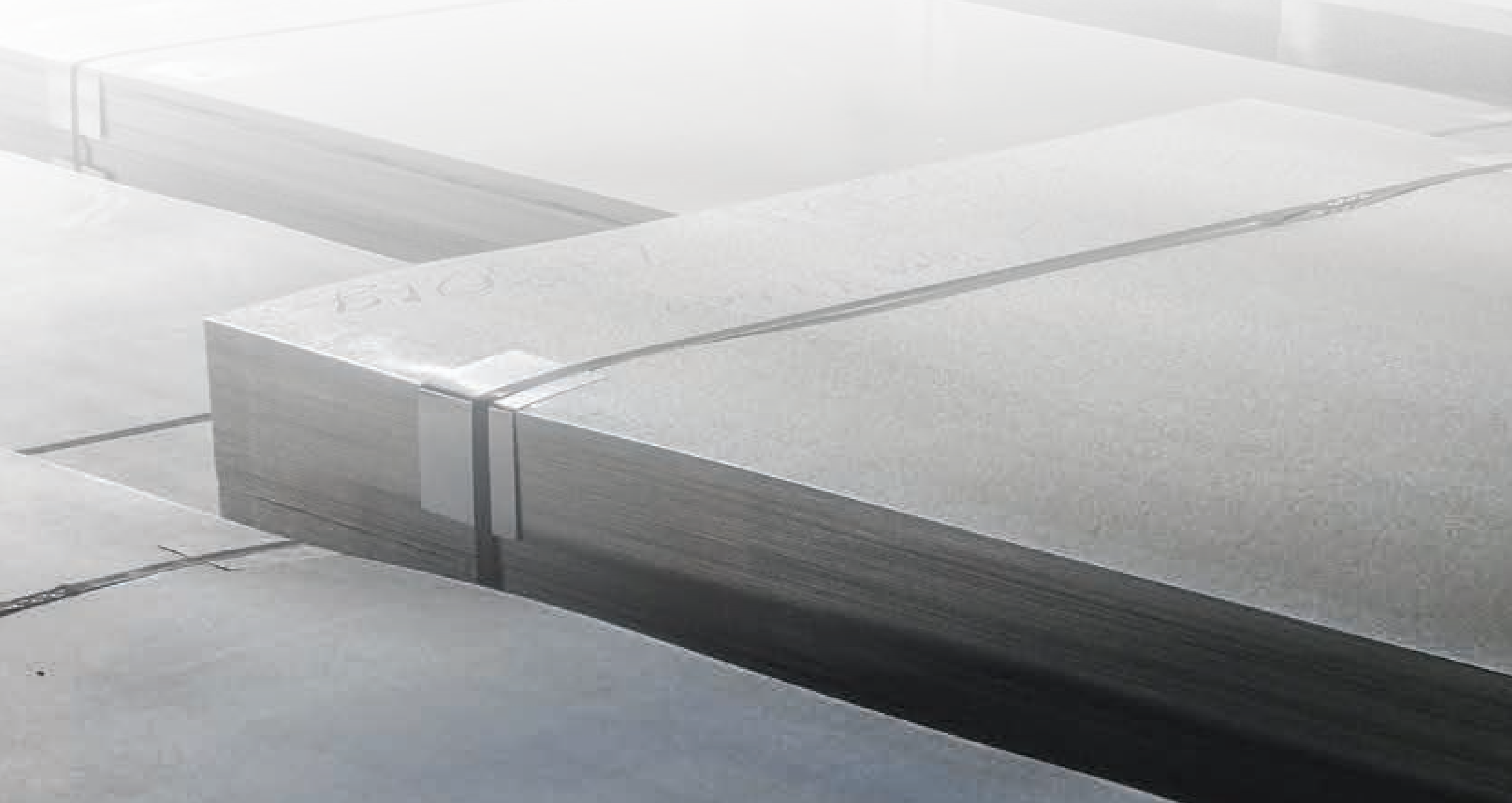
VISION

Nico's vision is to be Asia's most innovative metallurgical solutions provider in the personal computer, high-tech electronics and automotive industries.

MISSION

Nico will meet our customers' demands for innovative and state-of-the art solutions through Nico's visionary supplier and customer partnerships.

CONTENTS



ABOUT NICO STEEL

Nico Steel Solutions first started as DSAG in 1991. The latter began as a paper trader. In 1992, the Company changed its core business and became a steel trader. Thus, DSAG became Nico Steel Centre (S) Pte Ltd.

In 1995, the Company decided to differentiate itself strategically from the rest of its competitors by becoming a full-service coil centre. By doing so, Nico was able to customise and engineer solutions tailored to the stringent specifications of its customers.

In December 1999, this young start-up was elevated to the status of a pioneer in the industry and awarded the ISO9001. Nico Steel Solutions (S) Pte Ltd was born. It now carries a striking new logo and slogan to reflect its focus in providing innovative engineering solutions.

CORPORATE VALUES

These corporate values help create a distinct identity for Nico and its employees and are embraced by all levels of the organisation's hierarchy. Employees live by it when dealing with suppliers, clients and with one another. Nico call this 'Inside-Out Branding'.

D

DARING

This involves breaking out of established patterns of thinking and problem solving in order to look at things from a new and fresh perspective.

R

REGARD CHANGE AS AN OPPORTUNITY

Nico will always be sensitive to the constant changes in the market place, locally and globally in order to seize opportunities quickly.

I

INTENSE PASSION

This feeling derives from Nico's belief that it has the means to deliver its promise from concept to reality.

V

VISIONARY CUSTOMER AND SUPPLIER PARTNERSHIP

Nico's strategy of collaborating with its suppliers, customers and its customer's customer is the key to understanding the requirement of product by the end-users.

E

EXCELLENCE

The culture of excellence at Nico has instilled pride and motivation in its employees and is the driving force behind its innovative spirit.

CHAIRMAN'S MESSAGE

SMART, SELECTIVE, SUPERIOR SOLUTIONS

Focused Innovations Bring Higher Value-creations

DEAR SHAREHOLDERS,

2016 was a year of transition, both for our Company and for the industry. Following the most severe down-cycle in recent global consumer electronics industry history, we are emerging as a more value-focused and performance-driven NICO, ready to capture opportunities as our industry enters a new phase. While declines in activity and consumer demands weakened electronics sector financial performance, we vigorously contained costs to align with market conditions and worked strategically to successfully develop innovative new value-creations.

The 5 tech trends that will dominate 2017

In 2016, many newer technologies were like teenagers navigating an awkward period of adolescence. In 2017, expect maturity. Autonomous cars, drones, mixed reality, the Internet of Things, robots, wearables and smart energy are working hard to reach mainstream. Advancements across technology will pave the way for a much more integrated future. The world is on the cusp of a major technological renaissance as hardware commoditizes. This new era of innovation will be focused on software, with mobility and connectivity materially impacting how we interact with our everyday lives.

Different realities

After the world was introduced to consumer-market virtual-reality headsets such as Facebook Inc.'s Oculus Rift in 2016, 2017 is expected to be the year in which these technologies enter the mainstream, thanks to improved software. Virtual reality's related rivals, augmented and mixed reality, are taking the opposite approach. Software had a big breakthrough in 2016 as Pokémon Go took the world by storm and introduced most people to the concept, but 2017 might be the year the consumer market is introduced to the first wave of hardware dedicated to the medium. Mixed- and augmented-reality headsets aren't meant to be used to escape the surrounding world, as with VR, but to enhance it. One of the major companies leading the charge in mixed reality is HoloLens maker of Microsoft Corp. "After several years of hype, the operative reality behind virtual, augmented and mixed digital worlds is set to manifest more fully in 2017," said Dan Wilinsky, a tech analyst with IHS Markit Ltd.

Driverless cars

Juniper Research Inc. expects annual development of self-driving cars to be a few thousand in the coming years, but believes that number will boom to reach 14.5 million by 2025. It expects the market to be initially led by taxi vehicles, which is why everyone is paying such close attention to Uber's self-driving pilot programs. Amid the race to be first to market, companies in both Silicon Valley and Detroit will double down on driverless technology in 2017. BlackBerry even recently announced plans to open a center in Ottawa dedicated specifically to enhancing autonomous technology.

Wearables

Smart wearables suffered from slower adoption in 2016, with the smartwatch category tumbling 52% in the third quarter, according to IDC. Apple's share of the wearables market declined sharply ahead of the company's launch of the Apple Watch Series 2, while Fitbit Inc. knocked out a major player by scooping up former Kickstarter star Pebble in December.

But wearables aren't dead, as evidenced by a double-digit increase in basic wearables, such as fitness bands, in the same quarter that smartwatches declined. In 2017, there will likely be a major reconfiguration in the industry, with devices becoming increasingly invasive and more capable at analyzing data to more proactively help users lead healthier lives.

By 2020, a third of health/life sciences and consumer product companies will begin to develop the first wave of products that integrate the human body with technology, according to recent predictions published by IDC. IDC has started to refer to this industry as "augmented humanity," and predicts the concept will go mainstream by the middle of the next decade.

Artificial intelligence

Facebook and other Silicon Valley companies began showing off their artificial intelligence capabilities earlier this year with a wave of "chatbots," which are expected to perform similarly to personal assistants like Apple's Siri and Amazon.com Inc.'s Alexa.

At the heart of this is the compilation of massive amounts of information being produced by the billions of internet-connected devices that are now in circulation. The ability to structure the data and learn from it will be core to this market's development. Tesla, for example, has aggregated more than 800 million miles of driving data this year, giving it data about human behavior and information about the way people drive.

The cloud and IoT

Cloud computing and the Internet of Things continue to work together to enhance the way everyday objects connect and interact. This advance will allow even hard-to-reach devices to connect to the internet, while improving the efficiencies of the devices already on the market. It will also enable telecom providers to support low-bit-rate apps, making way for a much bigger pool of objects to be embedded with chips and be connected.

To power the increasing level of connectivity and bandwidth needed to process the data, cloud computing, data centers and lower-power-high-power chips will continue to be a large area of investment in 2017. By 2020, IDC predicts that the vast majority of all enterprise IT infrastructure and software spending will be for cloud-based offerings.

3 KEY VALUE-CREATION STRATEGIES

Businesses are created to offer value. Value-creation is the accumulative performance of actions that increase the worth of goods, services or even a business. NICO's focus on value creation is both in the context of creating better value for customers purchasing its products and services, as well as for shareholders who want to see their stake appreciate in value.

Focused Branded Differentiation

NICO Proprietary Branded Materials (PBM) strategy was developed from our Customized Materials Strategy which started a few years ago. It has gained much traction because IT Devices are becoming more mobile, these devices need to be light-weight and multi-functional; moreover, requirements for sustainable power becomes critical. However, industry standard metallic materials have already reached optimization in terms of strength to weight ratio, heat dissipation and radio wave shielding capabilities and are facing difficulties in meeting all these requirements. NICO has conducted research on a series of unique materials, achieved 10 patents and the latest innovative solution is the Stainless Steel N10/N20 series which has strength similar to SUS 304 but close-to-zero permeability to remove Electro-magnetic Interference (EMI) concerns. Another innovative creation is the Aluminum AL50 which is a high strength aluminum alloy with strength that is higher than steel but weight that is lighter than traditional aluminum alloy but with 10 times better thermal conductivity plus total impermeability. The most recent development is the Blackened AL50 which can provide light shielding and improved radiation transfer.

Enhancing Total Solutions Core Competencies

Our core competence is to provide Total Metallurgical Solutions to help our customers produce products they have never dreamt of. We will assist in conceptualizing new product designs with innovative materials and establish efficient production processes to increase production yields and minimize material wastage.

The latest development is a proprietary Liquid Forge Technology (LF) which is an open-die process that combines both liquid aluminum and magnesium alloys to create a part in one single process. Moreover, this unique process allows machining of the part to achieve superfine cosmetic finish. LF is one of the best ways to achieve minimum cost and maximum yield for a Uni-body Design.

Leveraging Know-how to Enter the EV (Electric Vehicle) Market

According to Lux Research Inc. the projected growth of the battery sector for Battery Electric Vehicles and Plug-in Hybrid Vehicles (BEVs and PHEVs) will rise to USD10 Billion in 2020 with six large carmakers led by Tesla accounting for 90% of the demand. We are pleased to announce that NICO has leveraged our know-how to successfully enter the Electric Vehicle market by clinching contracts to supply materials for Tesla Inc.'s production of battery plate and housing of electric vehicle battery and door hinge parts.

INCREASING PRODUCTION CAPACITY AND POTENTIAL EXPANSION INTO VIETNAM MARKET

Owing to increasing demand for new innovative Proprietary Branded Materials, we plan to add a new 350mm wide plating line in our production facility in Suzhou.

Vietnam opened to investors in 1987, and within a few years became an alternative to China for companies looking to outsource basic factory work. China's slowing economic growth and increasing labour costs since 2011 and its strategic shift away from low-value export manufacturing have been raising Vietnam's competitive edge for making electronic products, auto parts, furniture and garments. One of our key customers, a major Korean multinational electronics manufacturer, has shifted a significant portion of their manufacturing facilities to Vietnam and many other Korean manufacturers are expected to follow suit.

As such, NICO is evaluating the feasibility of establishing a new manufacturing facility in Vietnam to support the growing electronics manufacturing sector there.

ACKNOWLEDGEMENT

Last but not least, I would like to thank all our dedicated employees, board of directors, shareholders and partners for their continued support and contributions. Special thanks go to our people for doing a great job in FY 2017.

Sincerely,

Danny Tan
Chairman & President

BOARD OF DIRECTORS

TAN CHEE KHIONG DANNY

Executive Chairman & President

Mr Danny Tan is the Executive Chairman and President of the Company appointed on 10 April 2002. He is primarily responsible for the overall management, business strategies and expansion of the Company. He was one of the founders of Nico Steel, and had, since the establishment of Nico Steel, been instrumental in setting the strategic development of Nico Steel's business. In October 2004, he received the Special Mention Award during the 2004 ASME – Rotary Entrepreneur of the Year Award.

Mr Danny Tan is the brother of our Executive Director, Mr Tang Chee Wee Andrew.

TANG CHEE WEE ANDREW

Executive Director (Re-designated to Executive Director with effect from 18 May 2017)

Mr Andrew Tang is the Corporate Development Director of the Company appointed on 10 April 2002. He is responsible for business development and corporate strategy and training for the Group, as well as managing and promoting the "Nico" brand. Mr Andrew Tang joined our Group in 2001. He brought with him his knowledge and experience in corporate development and corporate branding.

Mr Andrew Tang is the brother of our Executive Chairman and President, Mr Danny Tan.

TAN POH CHYE ALLAN

Lead Independent Director

Mr Allan Tan is the Lead Independent Director of the Company appointed on 16 February 2015. He is a partner at Virtus Law LLP, associated with Stephenson Harwood LLP, an international law firm, and practices in the field of corporate finance, regulatory and compliance laws. He was admitted to the Singapore Bar in 1994. He is also presently an Independent Director of CNMC Goldmine Holdings Limited, listed on Catalist of the SGX-ST.

He holds a Bachelor of Laws (Honours) degree from the University of Buckingham (United Kingdom) and a Master's degree in Law from the London-Guildhall University. He is also a Barrister-at-law of Gray's Inn.

Mr Allan Tan is the chairman of our Remuneration Committee and member of the Audit and Nominating Committee.

GAVIN MARK MCINTYRE

Independent Director

Mr McIntyre is an Independent Director of the Company appointed on 22 August 2016. He is a Singaporean with many years of experience in accounting related sectors. In 1989, he graduated from Curtin University in Australia with a degree in Accounting and since 1994, holds the status of non-practicing CPA with CPA Australia.

Mr McIntyre started his career as an analyst with Dun & Bradstreet in Singapore and later joined two of the Big Four public accounting firms where he rose to the position of Director, specializing in the fields of financial and debt restructuring for corporates and individuals. He was particularly active in the aftermath of the Asian Financial Crisis and the Dot Com bust.

From 2013 till 2015, Mr McIntyre worked as a practice director with a boutique valuation services firm with a strong regional presence in Asia. Between 2008 and 2013, he was holding the position of Chief Financial Officer of a listed company in Singapore where he worked closely with the Board to review projects in the fields of mineral extraction, telecommunications and general manufacturing & distribution.

In February 2017, Gavin was appointed as an Independent Director at Anchor Resources Limited and is a member of the Audit, Nominating and Remuneration Committee.

Mr McIntyre is the Chairman of our Audit Committee and member of the Nominating and Remuneration Committee.

LEE ENG YEW MICHAEL

Independent Director

Mr Michael Lee is an Independent Director of the Company appointed on 26 June 2014. He is currently a Senior Director with Manulife Singapore. Previously, he was a District Manager with the American International Assurance. Mr Michael Lee has more than 20 years of experience specializing in the areas of financial, investment and estate planning.

Mr Michael Lee graduated from the Nanyang Technological University with a Bachelor of Accountancy in 1993. He also holds a MBA in Strategic Wealth Management from the University of Vienna, Austria. He is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Mr Michael Lee is the chairman of our Nominating Committee and member of the Audit and Remuneration Committee.

EXECUTIVE OFFICERS

ONG HOCK SENG

is our General Manager of our Thailand subsidiary. Mr Ong joined our Group in 2004. He is responsible for the Group's operations in Thailand. Prior to joining our Group, Mr Ong has more than 12 years of experience in the stamping industry serving as plant manager and production manager in various overseas subsidiaries of the local stamping houses.

WANG LU

is our Group Finance Manager. Ms Wang joined our Group in 2008 as our Group Accountant. She was promoted to her present position in 2011. She is responsible for the Group's finance, accounting, tax and management information system functions. Prior to joining our Group, Ms Wang was a finance officer of a Group of Companies in manufacturing industries.

PHUA KWAN SENG

is our Operations Manager of our Suzhou subsidiary. Mr Phua has joined our group in 2015. He is responsible for managing day-to-day operations in Suzhou. Prior to joining our Group, Mr Phua has more than 20 years of experiences in EMS industries as Supply Chain and Operations Manager and was based in Singapore, Malaysia, China and USA.

NG CHIN SENG

is our General Manager of our Suzhou plating subsidiary. Mr Ng joined our Group in 2007 and prior to joining us, he has more than 13 years of experience in plating industry serving as manager. Mr Ng is responsible for our Group's plating operations and sales in Suzhou. He has been appointed as Executive Officer of our Group on 1 April 2011.

OPERATIONS REVIEW

OVERVIEW

The overall revenue of the Group has reduced by 30.7% from USD19.2 million in FY 2016 to USD13.3 million in FY 2017. The decrease was mainly due to the market lower demand.

The Group's gross profit margin has increased from 19.0% in FY 2016 to 19.5% in FY 2017.

Other income increased by 50.0% from USD66,000 in FY 2016 to USD99,000 in FY 2017. This was mainly due to Group's sales of scrap metal amounting to USD27,000 in FY 2017.

Distribution costs which are in line with revenue, decreased by 43.0% from USD465,000 in FY 2016 to USD265,000 in FY 2017.

Administrative expenses decreased by 28.8% from USD5.9 million in FY 2016 to USD4.2 million in FY 2017. The decrease was mainly due to (i) Hong Kong subsidiary has been disposed in FY 2016 and (ii) an overall decrease in staff costs and tighter cost control measures implemented by the Group.

Finance costs decreased by 45.3% from USD247,000 in FY 2016 to USD135,000 in FY 2017. The decrease was mainly due to (i) the repayment of bank loans and (ii) the prompt repayment of bills payable of a subsidiary in Singapore.

Tax expenses decreased by 71.4% from USD42,000 in FY 2016 to USD12,000 in FY 2017. The decrease was mainly due to most of Companies within the Group recorded loss making position. The effective tax rates of FY 2017 and FY 2016 are approximately 0.6% and 1.5% respectively.

Geographical Breakdown

	FY2017		FY2016	
	USD'000	%	USD'000	%
Singapore	96	0.7	145	0.8
PRC	10,370	78.0	11,609	60.6
Malaysia	55	0.4	2,449	12.8
Thailand	2,454	18.5	3,387	17.7
USA	265	2.0	1,427	7.4
Other Countries*	53	0.4	138	0.7
Total	13,293	100.0	19,155	100.0

* Other Countries comprise mainly Japan, Indonesia, Taiwan and Hong Kong.

Geographically, the PRC remained as the key revenue driver in FY 2017, contributing 78.0% of the Group's total revenue, as compared to 60.6% in FY 2016. Thailand and the United States contributed 18.5% and 2.0% respectively to the Group's revenue in FY 2017, as compared to 17.7% and 7.4% in FY 2016.

Segmental Breakdown

Despite the reduction in the overall Group's revenue, the Group has made better progress in FY 2017 to promote Nico Branded Materials. The revenue arising from the sales of this product accounted for 18.0% of the Group's total revenue in FY 2017 compared to 10.4% of the Group's total revenue in FY 2016.

Revenue from Customised Metal Alloy has decreased from USD12.1 million in FY 2016 to USD8.4 million in FY 2017, revenue from Commercial Metal Alloy has decreased from USD5.0 million in FY 2016 to USD2.5 million in FY 2017 as a result of overall reduction in the Group's recorded revenue.

OPERATIONS REVIEW

Industrial Breakdown

With sales of USD5.8 million or 43.6% of total turnover, the Computer Peripherals market, in particular, the supply of keyboards, liquid crystal displays and internal parts of notebooks, tablet and laptops, continued to be the main contributor for sales of Customised Metal Alloys, which is in line with the Group's focus on higher value added segment. The remaining sales are attributable to Telecommunications, Hard Disk Driver, Consumer Electronics, Thermal Solutions and other industries.

	FY2017		FY2016	
	USD'000	%	USD'000	%
Hard Disk Drive (HDD)	1,319	9.9	3,359	17.5
Telecommunication	1,246	9.4	4,150	21.7
Consumer Electronics	2,262	17.0	3,292	17.2
Computer Peripherals	5,797	43.6	6,290	32.8
Others	2,669	20.1	2,064	10.8
Total	13,293	100	19,155	100

Financial Review

Property, plant and equipment decreased by 8.1% from USD3.7 million as at 29 February 2016 to USD3.4 million as at 28 February 2017.

Trade and other receivables decreased by 30.0% from USD6.0 million as at 29 February 2016 to USD4.2 million as at 28 February 2017. The reduction was mainly due to (i) the overall reduction in revenue and (ii) the improvement in debtors' turnover period resulting from the efforts put in place by management to continuously monitor the overall credit risks of the Group.

Cash at bank and in hand decreased by 36.8% from USD1.9 million as at 29 February 2016 to USD1.2 million as at 28 February 2017. The reduction was mainly due to (i) the repayment of bank loans and (ii) the prompt repayment of bills payable of a subsidiary in Singapore.

Inventories decreased by 12.0 % from USD8.3 million as at 29 February 2016 to USD7.3 million as at 28 February 2017. The decrease was mainly due to written down the inventories to net realisable value for entities in China, Singapore and Thailand amounting to USD0.5 million in FY 2017.

Trade and other payables, and bills payable decreased by 55.7% from USD6.1 million as at 29 February 2016 to USD2.7 million as at 28 February 2017. The decrease was mainly due to the Group's effort to manage its subsidiary in Singapore to repay its bills payable promptly to reduce the Group's reliance on bank trade facilities.

The Group's financial liabilities decreased by 37.5% from USD3.2 million as at 29 February 2016 to USD2.0 million as at 28 February 2017. The decrease was mainly due to the repayment of bank loans in FY 2017.

The Group recorded a net cash outflow from its operating activities of USD0.19 million in FY 2017 (FY 2016: net cash inflow of USD0.05 million).

The impact of the proceeds of USD2.8 million from the issue of Redeemable Convertible Bonds was offset by the net repayment of the Group's short term bank loans, loans from affiliated companies and loans from directors amounting to USD3.3 million.

As a result of the above, the Group generated net cash outflows of USD721,000 in FY 2017 compared to net cash inflow of USD669,000 in FY 2016.

ISSUE OF 2.0% REDEEMABLE CONVERTIBLE BONDS DUE 2018 WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO S$50,000,000

As at the date of this Annual Report, the Company had issued four sub-tranches of the Tranche 1 Bonds in the principal amount of S$4,000,000 to the Subscriber. 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$)
15 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
29 November 2016	Conversion of remaining first sub-tranche under Tranche 1 Bonds issued on 15 March 2016. Conversion of part of second sub-tranche under Tranche 1 Bonds issued on 29 Nov 2016	30,000,000	S$0.010
30 November 2016	Conversion of part of second sub-tranche under Tranche 1 Bonds issued on 29 Nov 2016	10,000,000	S$0.010
12 December 2016	Conversion of part of second sub-tranche under Tranche 1 Bonds issued on 29 November 2016	60,000,000#	S$0.010

Date	Description	No. of shares converted	Conversion Price (S$)
11 January 2017	Conversion of remaining second sub-tranche under Tranche 1 Bonds issued on 29 Nov 2016. Conversion of part of third sub-tranche under Tranche 1 Bonds issued on 10 January 2017	10,000,000	S$0.010
16 January 2017	Conversion of part of third sub-tranche under Tranche 1 Bonds issued on 10 January 2017	15,000,000	S$0.010
18 January 2017	Conversion of part of third sub-tranche under Tranche 1 Bonds issued on 10 January 2017	25,000,000	S$0.010
19 January 2017	Conversion of part of third sub-tranche under Tranche 1 Bonds issued on 10 January 2017	20,000,000	S$0.010
23 January 2017	Conversion of part of third sub-tranche under Tranche 1 Bonds issued on 10 January 2017	30,000,000	S$0.010
26 January 2017	Conversion of remaining third sub-tranche under Tranche 1 Bonds issued on 10 January 2017. Conversion of part of fourth sub-tranche under Tranche 1 Bonds issued on 24 January 2017	30,000,000	S$0.010
10 February 2017	Conversion of part of fourth sub-tranche under Tranche 1 Bonds issued on 24 January 2017	10,000,000	S$0.010
14 February 2017	Conversion of part of fourth sub-tranche under Tranche 1 Bonds issued on 24 January 2017	30,000,000	S$0.010
17 February 2017	Conversion of part of fourth sub-tranche under Tranche 1 Bonds issued on 24 January 2017	30,000,000	S$0.010

Further to the announcement dated 6 January 2017, 12 January 2017, 21 April 2017, 25 April 2017 and 17 May 2017, the Company wishes to inform shareholders that the Company has rectified to correct the said over-allotment of shares by way of shares cancellation.

As at the date of this Annual Report, the number of ordinary shares of Company is 492,166,176 after the cancellation of the 5,454,546 ordinary shares.

UTILIZATION OF THE NET PROCEEDS FROM THE BONDS ISSUED ON 15 MARCH 2016, 29 NOVEMBER 2016, 10 JANUARY 2017 AND 24 JANUARY 2017

USE OF PROCEEDS – BOND ISSUE	Amount S$'000	Amount S$'000
Net Proceeds from the Initial Bond#		3,787
Less:		
Repayment of loans from Parot Tovot LLC	260	
Repayment of loans from Nico Steel Solutions (S) Pte Ltd	300	
Repayment of loans from Affiliated Companies	340	
Group's general working capital*	2,020	
Legal and professional fee in relation to RCB issued	177	
Total usage of proceeds		(3,097)
Balance of Net Proceeds		690

Net Proceeds from the Initial Bond of SGD 3,787,000 was after deduction of transaction costs amounting to SGD 213,000, including arranger's fee and legal fee of VCAM incurred.

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

The use of proceeds is consistent with the use of proceeds for the Bonds as disclosed in the Circular.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Tan Chee Khiong Danny
(Executive Chairman and President)
Tang Chee Wee Andrew
Tan Poh Chye Allan
Gavin Mark McIntyre
Lee Eng Yew Michael

AUDIT COMMITTEE
Gavin Mark McIntyre *(Chairman)*
Tan Poh Chye Allan
Lee Eng Yew Michael

NOMINATING COMMITTEE
Lee Eng Yew Michael *(Chairman)*
Tan Poh Chye Allan
Gavin Mark McIntyre

REMUNERATION COMMITTEE
Tan Poh Chye Allan *(Chairman)*
Gavin Mark McIntyre
Lee Eng Yew Michael

COMPANY SECRETARY
Yeoh Kar Choo Sharon

REGISTERED OFFICE
51 Loyang Way
Singapore 508744

COMPANY REGISTRATION NO.
200104166D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

INDEPENDENT AUDITORS
BAKER TILLY TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
(Since 25 February 2016)

PARTNER-IN-CHARGE
Ong Kian Guan
(With effect from financial year 2016)

CORPORATE LEGAL ADVISOR
Colin Ng and Partners
36 Carpenter Street
Singapore 059915

PRINCIPAL BANKER
DBS Bank Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

GENERAL / INVESTOR RELATIONS
For further information about
Nico Steel Holdings Limited,
please contact the Secretariat
at the Registered Office.
Email: corporateaffairs@nico.com.sg
Website: www.nicosteel.com
Tel : +65 - 6542 1886
Fax : +65 - 6542 1986

CORPORATE GOVERNANCE REPORT

The Board and management of Nico Steel Holdings Limited (the "Company") recognise the importance of corporate governance in maintaining high standards of accountability to its shareholders by complying with the recommendations made by the Code of Corporate Governance 2012 issued by the Ministry of Finance on 2 May 2012 (the "Code"). For the financial year ended 28 February 2017, the Company has generally adhered to the principles and guidelines as set out in the Code.

(A) BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Company and its subsidiaries (collectively, the "Group") and supervises the management. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including providing leadership, setting its strategic direction, establishing risk policy and goals for the management as well as monitoring the achievement of these goals.

To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures.

The Board conducts regular scheduled meetings. Ad hoc meetings are also convened when circumstances require. To facilitate the attendance and participation of Directors at Board meetings, the Company's Constitution allow Board meetings to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

For the financial year ended 28 February 2017, the Board met on four (4) occasions. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings for the financial year ended 28 February 2017 is disclosed on page 29 of this Annual Report.

The functions of the Board include the following which are also part of the matters reserved for the Board's approval:–

- approval of the group's strategic objectives;
- approvals of the annual operating and capital expenditure budgets and any material changes to them;
- review of performance in the light of the group's strategic objectives, business plans;
- changes relating to the group's capital structure including reduction of capital, share issues, share buy backs;
- major changes to the group's corporate structure, including, but not limited to acquisitions and disposals;
- changes to the Group's management and control structure;
- approval of the quarterly/half-yearly/full year's results announcements; annual reports and accounts, including the corporate governance report;
- approval of the dividend policy and declaration of the interim dividend and recommendation of the final dividend;
- approval of any significant changes in accounting policies or practices;
- ensuring maintenance of a sound system of internal control and risk management;
- approval of major capital projects;
- contracts regarding acquisitions or disposals of fixed assets (including intangible assets such as intellectual property); substantial bank borrowings etc; and
- major investments.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of appropriate training for its Directors. Newly appointed Directors will be given briefings and orientation of the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

The Company has set aside funding and will be responsible for arranging and funding the training of Directors.

Seminars attended by a Director and updates provided to the Directors for the financial year ended 28 February 2017 include:

– ACRA-SGX-SID Audit Committee Seminar organised by Singapore Institute of Directors on 13 January 2017; and
– The President updates the Board at each Board meeting on business and strategic developments pertaining to the Group's business.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board presently comprises the following members:–

1. Tan Chee Khiong Danny – Chairman & President
2. Tang Chee Wee Andrew – Executive Director
3. Tan Poh Chye Allan – Lead Independent Director
4. Lee Eng Yew Michael – Independent Director
5. Gavin Mark McIntyre – Independent Director

Key information regarding the Directors is given in the section entitled "Board of Directors" in this Annual Report.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review. Each Independent Director is required to complete a Director's independent checklist annually to confirm his independence based on the guidelines as set out in the Code. Each of them also confirmed that they are independent despite not having any relationship identified in the Code. The NC has determined that all the three (3) Independent Directors are independent. Through the NC, the Board considers all the three (3) Directors to be independent including independent from the 10%* shareholders of the Company.

* *"10% shareholders" refers to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. Voting shares exclude treasury shares.*

Currently, there are three (3) Independent Directors, who made up one-third ($^1/_3$) of the Board composition. With three (3) independent Directors and two (2) Executive Directors of a total of five (5) Directors, the Board is able to exercise independent and objective judgement on Board affairs.

Further, the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, and knowledge of the Company and the Group with core competencies in accounting and finance, legal practices, business experience and industry knowledge. At Board and committee meetings, key issues and strategies, challenges arising from the changes in the evolving competitive landscape are critically examined, taking into consideration the long-term interests of the Group and its shareholders.

CORPORATE GOVERNANCE REPORT

None of the Independent Directors have served on the Board beyond nine (9) years from the date of first appointment.

The Board is of the opinion that given the scope and nature of the Group's operations, the size of the Board is appropriate in facilitating effective decision making.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Tan Chee Khiong Danny, a substantial shareholder, is the Chairman and President. Mr Tan Chee Khiong Danny, who is responsible for the Group's business operations, has played an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision.

The Board has not adopted the recommendation of the Code to have separate Directors appointed as the Chairman and CEO. This is because the Board is of the view that the current composition and culture of the Board have enabled the independent exercise of objective judgement on affairs and operations of the Group by members of the Board taking into account factors such as the contributions made by each member at Board meetings which relate to the affairs and operations of the Group. The Board is satisfied that one (1) person is able to effectively discharge the duties of both positions.

Besides being responsible for the day-to-day running of the Group, Mr Tan Chee Khiong Danny, the Chairman, ensures that each member of the Board and the management work well together with integrity and competency. As the Chairman, he schedules Board meetings as and when required, sets the agenda for Board meetings and ensures that quality, quantity, accuracy and timeliness of information flow between the Board, management and shareholders of the Company. He encourages constructive relations between the Board and management and between the Executive Directors and the Independent Directors. He keeps Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. He is also responsible for ensuring compliance with corporate governance guidelines.

Mr Tan Poh Chye Allan has been appointed as the Lead Independent Director of the Company on 16 February 2015. The role of the Lead Independent Director would include meeting with shareholders where they have concerns which contact through the normal channels of the Chairman or the Group Finance Manager has failed to resolve or for which such contact is inappropriate. In addition, the Lead Independent Director will co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. Where necessary, the Lead Independent Director will chair meeting with Independent Directors without Executive Directors being present so as to facilitate well-balanced viewpoints to the Board.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Nominating Committee

The NC comprises three (3) Directors namely, Mr Lee Eng Yew Michael (Independent Director), Mr Tan Poh Chye Allan (Lead Independent Director), and Mr Gavin Mark McIntyre (Independent Director). The Chairman of the NC is Mr Lee Eng Yew Michael.

CORPORATE GOVERNANCE REPORT

The key terms of reference of the NC includes the following functions:–

- evaluate and review nominations for appointment and re-appointment to the Board and the various committees;
- nominate a Director for re-election at the annual general meeting ("AGM"), having regard to the Director's contribution and performance;
- determine annually and as and when circumstances require if a Director is independent,
- recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director;
- annual assessment of the effectiveness of the Board;
- decide whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel; and
- review training and professional development programmes for Board members.

The responsibilities of the NC are to determine the criteria for the appointment of new Directors; to set up a process for the selection of such appointment and to review nominations for the appointment of Directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate who is appointed to the Board.

The NC reviews and recommends to the Board the re-nomination of retiring Directors standing for re-election and appointment of new Directors. The review ensures that the Director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities.

Regulation 107 of the Company's Constitution requires one-third ($^1/_3$) of the Directors to retire from office by rotation and subject themselves to re-election by shareholders at the AGM. Every Director must retire from office and submit themselves for re-nomination and re-election at least once every three years. Pursuant to Regulation 107, Mr Lee Eng Yew Michael and Mr Tang Chee Wee Andrew shall retire at the Company's forthcoming AGM and shall be eligible for re-election.

Pursuant to Regulation 117 of the Company's Constitution, any person appointed by the Directors either to fill a casual vacancy or as an additional Director during the year will hold office until the next AGM and shall be eligible for re-election. Therefore, Mr Gavin Mark McIntyre shall retire at the Company's forthcoming AGM and shall be eligible for re-election pursuant to Regulation 117 of the Company's Constitution.

The NC has recommended to the Board that Mr Lee Eng Yew Michael, Mr Tang Chee Wee Andrew and Mr Gavin Mark McIntyre be nominated for re-appointment at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

In recommending the above Directors for re-appointment, the NC has given regard to the results of the Board assessment (please refer to paragraphs under Board Performance regarding assessment of Board performance) in respect of their competencies in fulfilling their responsibilities as Directors to the Board. In respect of the nomination of Mr Tang Chee Wee Andrew for re-appointment as Director, the NC took note that Mr Tang Chee Wee Andrew and Mr Tan Chee Khiong Danny are brothers. The NC has also reviewed the independence of Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre. In assessing their independence, the NC having considered the guidelines set out in the Code, is of the view that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre are independent and there are no relationships identified in the Code which deem them not to be independent. Each Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre have also declared that they are independent.

In its annual review of independence, the NC, having considered the guidelines set out in the Code, is of the view that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre, are independent. The Board, after taking into consideration the views of the NC, is of the view that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre are considered independent.

All Directors are required to declare their board representations. When a Director has multiple board representation, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.The NC has reviewed and is satisfied that Mr Tan Poh Chye Allan, Mr Lee Eng Yew Michael and Mr Gavin Mark McIntyre, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company, notwithstanding their multiple board appointments.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has currently and set the maximum number of listed company board appointments at not more than five (5) listed companies. None of the Directors hold more than five (5) directorships in listed companies.

Key information regarding the Directors, including their present and past three (3) years' directorships in other listed companies and principal commitments are set out below:–

Name of Director	Board Membership	Date of appointment	Date of last re-appointment	Directorships in other listed companies		Principal Commitments
				Current	Past three (3) years	Current
Tan Chee Khiong Danny	Executive Director	10 April 2002	24 June 2016	None	None	
Tang Chee Wee Andrew	Executive Director (re-designated on 18 May 2017)	10 April 2002	26 June 2015	None	None	

CORPORATE GOVERNANCE REPORT

Name of Director	Board Membership	Date of appointment	Date of last re-appointment	Directorships in other listed companies		Principal Commitments
				Current	Past three (3) years	Current
Tan Poh Chye Allan	Lead Independent Director	16 February 2015	26 June 2015	CNMC Goldmine Holdings Limited	Adventus Holdings Limited Xyec Limited Avexa Limited (listed on ASX)	Virtus Law LLP Knowledge Economy.com Pte. Ltd. Tell Business Pte. Ltd. JLU Global Ltd (company limited by guarantee)
Lee Eng Yew Michael	Independent Director	26 June 2014	26 June 2015	None	None	iCreate wPlanners Pte. Ltd. Ready Autocare Pte. Ltd. Vsmart Venture Pte. Ltd. Ready Insure Pte. Ltd. Frontier Quest Pte. Ltd. Rainmaker Plus Pte. Ltd.
Gavin Mark McIntyre	Independent Director	22 August 2016	N.A.	Anchor Resources Ltd	None	Equitasasia Pte. Ltd. Equitas Financial Services Pte Ltd Equitasasia Holdings Pte Ltd

There is no alternate Director on the Board.

For the financial year ended 28 February 2017, the NC met on two (2) occasions.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Board through the NC has used its best efforts to ensure that Directors appointed to the Board and Board committees, whether individually or collectively possess the necessary background, experience and knowledge in our industry and relevant geographic areas, and in business and finance and have the appropriate management skills critical to the Company's business. It has also ensured that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board. No external facilitator has been engaged to perform the Board assessment process.

During the financial year ended 28 February 2017, all Directors are requested to complete a Board Assessment Checklist designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The performance criteria for the Board evaluation covers amongst other criteria, composition structure and processes of the Board, access to information, corporate strategy, internal control and risk management and standard of conduct of the Board.

The completed checklists were submitted to the Company Secretary for compilation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement with a view to enhance Board effectiveness.

Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The factors taken into consideration for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year including their preparation and participation made by the Directors at the meetings.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are from time to time furnished with complete, adequate information concerning the Group to enable them to be fully cognizant of the decisions and actions of the management. All Directors have unrestricted access to the Company's records and information. The agenda for Board meetings is prepared in consultation with the Chairman. Detailed Board papers are prepared for each meeting of the Board and are normally circulated three (3) days in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. All Independent Directors have access to all levels of senior executives in the Group, and are encouraged to speak to other employees to seek additional information if they so require.

The Board has separate and independent access to the Company Secretary. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board committees and between management and Independent Directors.

CORPORATE GOVERNANCE REPORT

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual (the "SGX-ST Listing Manual"), are complied with. Her responsibilities also include advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Board takes independent professional advice as and when necessary to enable it or the Independent Directors to discharge its or their responsibilities effectively. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

The cost of such professional advice will be borne by the Company.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Remuneration Committee

The RC comprises three (3) members namely, Mr Tan Poh Chye Allan (Lead Independent Director), Mr Lee Eng Yew Michael (Independent Director) and Mr Gavin Mark McIntyre (Independent Director). The Chairman of the RC is Mr Tan Poh Chye Allan. All the members of the RC are Non-Executive Directors. While none of the members specialises in the area of executive compensation, the RC, where necessary, may have access to independent professional expert advice.

The key terms of reference of the RC includes the following functions:–

(i) make recommendations to the Board a framework of remuneration for the Board and key management personnel of the Group;

(ii) review the specific remuneration packages for each Director (executive, non-executive and independent) as well as for the key management personnel;

(iii) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;

(iv) consider whether Directors, and key management personnel should be eligible for benefits under share schemes and such other long-term incentive schemes as may from time to time be implemented.

The RC is responsible for recommending to the Board, a general framework of remuneration for the Board and key management personnel. The RC reviews and recommends remuneration policies and packages that attract, retain and motivate Directors and key management personnel to run the Company successfully. The review of remuneration packages takes into consideration the longer term interests of the Group and ensures that the interests of the Directors align with those of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' salaries, fees, allowances, bonuses, options, share-based incentive and award and benefits-

CORPORATE GOVERNANCE REPORT

in-kind. The management is responsible for recommending a framework of remuneration for the key executives to the RC. In reviewing and recommending remuneration policies for the key executives, the management uses various criterias including the aforesaid guidelines. For the financial year ended 28 February 2017, the RC met on one (1) occasion.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

The RC has access to appropriate expert advice inside and/or outside the Company on remuneration of all the Directors. For the financial year ended 28 February 2017, the RC has not consulted any external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Each member of the RC abstains from voting on any resolutions and making any recommendation and/or participating in discussion regarding his own remuneration package or on matters in which he is interested.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the Directors. The Independent Directors receive Directors' fees, in accordance with their contribution, taking into account factors such as effort and time spent and responsibilities of the Directors. The Directors' fees are recommended by the entire Board for shareholders' approval at each annual general meeting. No Director is involved in deciding his own remuneration.

Both Mr Tan Chee Khiong Danny and Mr Tang Chee Wee Andrew are the Executive Directors at present. Mr Danny Tan did not receive any Director's fees for the financial year ended 28 February 2017 whereas Mr Andrew Tang received Director's fees when he was designated as a non executive director.

Service Agreements

The service agreements ("Service Agreements") with the Executive Director, namely, Mr Tan Chee Khiong Danny had been renewed for a one-year period expiring in April 2018. Mr Tang Chee Wee Andrew has been re-designated to Executive Director on 18 May 2017 and his service agreement will commence on that day. Service Agreements are renewed annually and may be terminated by either the Company or the Executive Directors, each giving not less than six (6) months' notice in writing. The Company may also terminate the respective Service Agreements if any of these Executive Directors is guilty of dishonesty, or serious or persistent misconduct, becomes bankrupt or otherwise acts to the prejudice of the Company. None of these Executive Directors will be entitled to any benefits upon termination of their respective Service Agreements. The Service Agreements cover the term of employment, specifically salaries and bonuses.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each Executive Director in the process of discharging his duties on behalf of the Group will be borne by the Company.

CORPORATE GOVERNANCE REPORT

The Company currently does not have a formal service contract with the Independent Directors.

The Company does not have any long-term incentive scheme and employee share option scheme.

The RC is of the view that the remuneration policy and amounts paid to Directors are adequate and are reflective of present market conditions.

The Company does not use contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company will avail itself to remedies in law generally and under the Companies Act against the Executive Directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of each individual Director and the CEO on a named basis.

For confidentiality reasons and prevention of poaching, the Board has deviated from complying with the above recommendation and provide herein below a breakdown, showing the level and mix of each Director's remuneration in bands of S$250,000 for the financial year ended 28 February 2017:–

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Tan Chee Khiong Danny	92.8	–	7.2	–	100.0
Tang Chee Wee Andrew[1]	60.5	39.5	–	–	100.0
Tan Poh Chye Allan	–	100.0	–	–	100.0
Lee Eng Yew Michael	–	100.0	–	–	100.0
Gavin Mark McIntyre[2]	-	100.0	–	–	100.0
Egmont Iswin Guneratne[3]	-	100.0	–	–	100.0
S$250,000 to S$499,999					
Nil					
S$500,000 to S$749,999					
Nil					

Notes:

(1) Received salary from 1 March 2016 to 19 May 2016 as an executive director and director's fee from 20 May 2016 to 28 February 2017 when he was designated as a non-executive director on 20 May 2016.

(2) Appointed on 22 August 2016

(3) Appointed on 3 October 2016 and resigned on 8 March 2017

CORPORATE GOVERNANCE REPORT

Guideline 9.3 of the Code recommends that companies should name and disclose the remuneration of at least the top five (5) key management personnel (who are not Directors or the CEO) in bands of S$250,000. In addition, the companies should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five (5) key management personnel.

For confidentiality reason and prevention of poaching, the Board has deviated from complying with the above recommendation. The Company only partially complies with the above recommendation by providing below a breakdown, showing the level and mix of each of the top five (5) management personnel's remuneration (who are not Directors or the CEO) in bands of S$250,000 for the financial year ended 28 February 2017:–

Remuneration Band and Name of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Ong Hock Seng	82.9	–	6.3	10.8	100.0
Wang Lu	93.4	–	6.6	–	100.0
Ng Chin Seng	72.3	–	5.3	22.4	100.0
Phua Kwan Seng	59.7	–	6.6	33.7	100.0
Chua Wee Song[1]	76.7	–	–	23.3	100.0
S$250,000 to S$499,999					
Nil					
S$500,000 to S$749,999					
Nil					

The aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO) for the financial year ended 28 February 2017 was S$476,693.

Except as disclosed below, the Group does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$50,000 for the year ended 28 February 2017.

Remuneration Band and Name of any employee Who is an immediate Family member of a Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
S$50,000 and S$99,999					
Ang Bee Choo[1]	93.4	–	6.6	–	100.0

Note:

(1) Spouse of Mr Tan Chee Khiong Danny, Executive Chairman and President of the Company

The profiles of our key executives are found on page 8 of this Annual Report.

CORPORATE GOVERNANCE REPORT

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board reviews and approves the results as well as any announcements before their release to the SGX-ST and the media. Shareholders are provided with the half-yearly and full year results and annual financial reports on a timely manner. In presenting the annual financial statements and half yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the company's performance, position and prospects. This responsibility is extended to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

To ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Manual, the Board through management reviews the relevant compliance reports and ensured that management seeks the Board's approval of such reports or requirements.

In compliance with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its half-yearly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Management provides the Board with management accounts and such explanation and information on a timely basis as and when the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. As the Board has separate and independent access to management, the Board has no objection to receiving the management accounts with such explanation and information on a quarterly basis.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board has overall responsibility for the governance of risks to safeguard shareholders' interests and its assets. The Board has engaged the services of a professional firm in respect of internal audit services, under the engagement which the internal controls of the Group are consistently being reviewed and recommendation made to improve the internal controls.

The work of the internal auditors (if audit is conducted) and the report of the external auditors, have enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by management to address the underlying risks.

The AC assists the Board in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to management which comprises the President, the Group Finance Manager and Head of each business division.

The Board has, at least annually review the adequacy and effectiveness of the Group's risk management systems as well as the internal control systems including financial, operational, compliance and information technology controls based on procedures established and maintained by the Group and the reviews by the management.

CORPORATE GOVERNANCE REPORT

The Group's financial risk management objectives are discussed under Note 25 of the Notes to the Financial Statements on pages 77 to 86 of this Annual Report.

For the financial year ended 28 February 2017, the Board and the AC have received assurance from the President and the Group Finance Manager on the adequacy and effectiveness of the Group's risk management systems as well as the internal control systems in place are adequate and effective in addressing risks identified in its current business environment including financial, operational, compliance and information technology; also the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the Group's internal controls put in place and the procedures established and maintained by the Group, as well as work and review performed by the external auditors, the management, various Board Committees and the Board, the Board with the concurrence of the AC is of the view that the Group's risk management systems and internal control systems in place are adequate and effective in addressing financial, operational, compliance and information technology risks as at 28 February 2017.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The Board did not establish a separate board risk committee as the Board is already currently assisted by the AC and management in carrying out its responsibility of overseeing the Company's risk management framework and policies.

Audit Committee
Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) members namely, Mr Gavin Mark McIntyre (Independent Director), Mr Tan Poh Chye Allan (Lead Independent Director) and Mr Lee Eng Yew Michael (Independent Director). The Chairman of the AC is Mr Gavin Mark McIntyre. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. Two (2) members of the AC, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience. The AC held two (2) meetings during the financial year ended 28 February 2017. The AC members are kept abreast of any changes to the accounting standards and issues affecting the financials by the external auditors and management at the AC meetings, where appropriate.

The key terms of reference of the AC are:–

(a) to review with the external auditors their audit plan, their evaluation of the system of internal controls, their audit report, their management letter and management's response;

(b) to review the financial statements and statement of financial position and comprehensive income statement before submission to the Board for approval;

(c) to review the internal controls and procedures and ensure co-ordination between the external/internal auditors and the management; and review the assistance given by management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits any matters which the auditors may wish to discuss (in the absence of management where necessary);

CORPORATE GOVERNANCE REPORT

(d) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response;

(e) to consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors, and approving the remuneration and terms of engagement of the external auditors;

(f) to review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(g) to review potential conflict of interest, if any;

(h) to undertake such other review and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(i) generally undertake such other functions and duties as may be required by statue or the SGX-ST Listing Manual, or by such amendments as may be made from time to time.

The AC meets with the external auditors without the presence of the management, at least annually. Matters to discuss include the reasonableness of the financial reporting process, the internal control process, the adequacy of resources, audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors and any matters that may be raised.

The AC has reviewed the independence of the external auditors annually. The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors' confirmation of their independence. Please refer to the table below for the aggregate fees paid to the external auditors and breakdown of fees paid in total to audit and non-audit services respectively.

The AC has recommended to the Board the reappointment of Baker Tilly TFW LLP as the Company's external auditors at the forthcoming AGM.

For the financial year ended 28 February 2017	**S$**
– fees payable to the external auditors in respect of audit services	75,000
– fees payable to the external auditors in respect of non-audit services (Tax advisory services)	3,500
Total	78,500

The Company is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

The Company has put in place a whistle blowing policy which has been reviewed, endorsed by the AC and approved by the Board. Under the whistle blowing policy, employees can, in confidence, raise concerns about improper conduct for investigation. The procedures for the whistle blowing policy are made public to the employees of the Group. For the financial year ended 28 February 2017, there were no reported incidents pertaining to whistle blowing.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. Where appropriate, the internal audit function of the Company will be outsourced to a professional accounting firm and will be performed as and when necessary. The internal auditors report primarily on the Chairman of the AC, and have full access to the documents, records properties and personnel including access to the AC.

Where an internal audit is conducted, the AC will review the internal audit program and function to ensure the adequacy and effectiveness of the Group's internal audit function as well as to align it to the changing needs and risk profile of the Group's activities.

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Rule 719(1) of the SGX-ST Listing Manual requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks. Effective internal controls not only refer to financial controls but include, among others, business risk assessment, operational and compliance controls.

The AC has evaluated the need for an internal audit function so as to align it to the changing needs and risk profile of the Group's activities. Based on its evaluation and given the size of the Group's operations, the AC and the Group did not outsource its internal audit function to any third party. However, based on various controls put in place and maintained by the management and the review and work performed by the external auditors, management, the various Board committees, the Board, with the concurrence of the AC, are of the view that there are adequate and effective internal controls in place.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group's corporate governance culture and awareness promote fair and equitable treatment for all shareholders. All shareholders enjoy specific rights under the Companies Act and the Constitution of the Company. All shareholders are treated fairly and equitably.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company. At general meetings, shareholders will be informed of the rules, voting procedures relating to the general meetings.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allow each shareholder to appoint up to two (2) proxies to attend AGMs. The Companies Act now allows corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information will first be disseminated through SGXNET and where relevant, followed by news release and the Company's website. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them.

The Company strives to supply shareholders with reliable and timely information so as to strengthen the relationship with its shareholders based on trust and accessibility.

The Company's finance department also acts as an investor relations function to facilitate the communications with all stakeholders – shareholders, analysts and media, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance.

To enable shareholders to contact the Company easily, the contact details of the company are set out in the contents page of this Annual Report as well as on the Company's website.

The Group does not have a concrete dividend policy at present. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared for the financial year ended 28 February 2017 as the Group intends to conserve cash for future business growth.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the prescribed period. Notice of general meeting is announced through SGXNET and published in the Business Times.

The Company supports active shareholders' participation. If shareholders are unable to attend the general meeting, the Company's Constitution allow a shareholder (not a relevant intermediary pursuant to Section 181(6) of the Companies Act) to appoint up to two (2) proxies to attend and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. These methods of voting are, therefore, currently not available to shareholders.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

At general meetings, all the Directors, chairman of the Board and the respective chairman of the AC, NC and RC as well as the external auditors should be present and available to address shareholders' queries at these meetings.

The Company with the help of the Company Secretary prepares minutes of general meetings that include substantial and relevant comments relating to the agenda of the meetings and responses from the Board and management and such minutes, where relevant will be made available to shareholders upon their written request.

CORPORATE GOVERNANCE REPORT

To comply with SGX-ST Listing Manual, the Company has conducted poll voting at all its general meetings held after 1 August 2015. Where a poll is conducted at a general meeting, the detailed voting results of each of the resolutions tabled will be announced at the meeting. The results of the poll voting stating total number of votes cast for or against the resolutions will also be announced after the meeting via SGXNET. The Company has employed electronic polling since the last Annual General Meeting.

(E) DEALING IN SECURITIES

The Company has adopted an internal compliance code which prohibits the Company, Directors and its officers and their immediate family members from dealing in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year results and ending on the date of the announcement of the results or if they are in possession of unpublished material price-sensitive information of the Group. In addition, Directors and officers are also expected to observe all applicable insider trading laws at all times even when dealing in securities within permitted trading periods. They are also discouraged from dealing in the Company's shares on short-term considerations. Accordingly, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company adopts a set of procedures governing all interested person transactions to ensure that they are carried out on arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders. The Group did not enter into any IPTs during the financial year.

(G) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the President, each Director or Controlling Shareholder, which was either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

ATTENDANCE AT BOARD/AUDIT COMMITTEE/REMUNERATION COMMITTEE/NOMINATING COMMITTEE MEETINGS FY2017

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	4	2	1	2
Number of meetings attended				
Tan Chee Khiong Danny	4	2*	1*	2*
Tang Chee Wee Andrew	3	1*	N/A	1*
Tan Poh Chye Allan	4	2	1	2
Lee Eng Yew Michael	4	2	1	2
Gavin Mark McIntyre(1)	2	1	N/A	N/A
Fong Pin Jan Daniel(2)	1	1*	1*	2*
Lin Wei Daniel(3)	2	1*	1*	2*
Ong Lizhen Daisy(4)	2	1	1	2
Egmont Oswin Guneratne(5)	2	1*	N/A	N/A

CORPORATE GOVERNANCE REPORT

Notes:

* *By invitation*
(1) *Appointed on 22 August 2016*
(2) *Appointed on 21 May 2015 and resigned on 20 May 2016*
(3) *Appointed on 30 October 2009 and retired at the conclusion of the Company's AGM held on 24 June 2016*
(4) *Appointed on 16 February 2015 and resigned on 22 August 2016*
(5) *Appointed on 3 October 2016 and resigned on 8 March 2017*

USE OF PROCEEDS FROM THE ISSUE OF 2.0% REDEEMABLE CONVERTIBLE BONDS ("RCB") DUE 2018 WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO S$50,000,000

As at the date of this Annual Report, the net proceeds from the Company's bond issue have been utilised as follows:

Usage of bond issue proceeds	**Net proceeds earmarked for working capital of the Company (S$'000)**
Total net proceeds from the initial bond[1]	3,787
Less amount utilised:	
– Repayment of loans to Parot Tovot LLC	(260)
– Repayment of loans to Nico Steel Solutions (S) Pte. Ltd.	(300)
– Repayment of loans to affiliated companies	(340)
– Group's general working capital[2]	(2,020)
– Legal and professional fee in relation to the issuance of RCB	(177)
	690

Notes:

(1) *Net proceeds from the initial bond issue of S$3,787,000 was after deducting the transactions costs amounting to S$213,000, including the arranger's fee and the legal fee incurred for Value Capital Asset Management Private Limited.*
(2) *Funds used for the Group's general working capital were for staff costs and other operating costs.*

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 28 February 2017.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 39 to 91 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 28 February 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors in office at the date of this statement are:

Tan Chee Khiong Danny (Chairman)
Tang Chee Wee Andrew
Tan Poh Chye Allan
Lee Eng Yew Michael
Gavin Mark Mclntyre (Appointed on 22 August 2016)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Ordinary shares		
Tan Chee Khiong Danny		
– interests held	5,503,725	5,503,725
– deemed interests	21,042,162	21,042,162
Tang Chee Wee Andrew		
– interests held	5,503,725	5,503,725
– deemed interests	20,697,700	20,697,700

DIRECTORS' STATEMENT

Directors' interest in shares or debentures (cont'd)

By virtue of Section 7 of the Act, Tan Chee Khiong Danny and Tang Chee Wee Andrew are deemed to have interests in the other subsidiary corporations of the Company, at the beginning and at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 March 2017.

Material contracts

There are no material contracts of the Group and of the Company involving the interests of the Executive Chairman, the Managing Director (both of whom are deemed to be in the position of the Chief Executive Officer), each other director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Share options

No options to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares of the Company or its subsidiary corporations whether granted before or during the financial year issued by virtue of the exercise of options to take up unissued shares.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The Audit Committee comprises three members, all of whom are independent directors. The members of the Audit Committee during the financial year and at the date of this statement are:–

Gavin Mark Mclntyre (Chairman, Independent director) (Appointed on 22 August 2016)
Tan Poh Chye Allan (Lead independent director)
Lee Eng Yew Michael (Independent director)
Ong Lizhen Daisy (Chairman, Independent director) (Resigned on 22 August 2016)

The Audit Committee carried out its functions in accordance with Section 201 B(5) of the Singapore Companies Act. Their functions are detailed in the Report on Corporate Governance.

In performing its functions, the Audit Committee evaluated the Company's internal accounting controls and the procedures established and maintained by the Company, and also met with the Company's independent auditors to discuss the scope of their work and the results of their examination.

The Audit Committee also reviewed the following:

(a) reviewed the independence and objectivity of the external auditor;

DIRECTORS' STATEMENT

Audit Committee (cont'd)

(b) reviewed the financial statements of the Company and of the Group for the financial year ended 28 February 2017 and the independent external auditor's report thereon;

(c) reviewed the overall scope of the audit work carried out by the independent external auditor and also met with the independent external auditor to discuss the results of their audit and their evaluation of the internal accounting control system and internal control procedures;

(d) reviewed the overall scope and timing of the work to be carried out by the internal auditors and also met with the internal auditors to discuss the results of their internal audit procedures (if any); and

(e) reviewed interested person transactions.

The Audit Committee is satisfied with the independence and objectivity of the independent auditors and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

In appointing our auditors for the Company or its subsidiary corporations, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Tan Chee Khiong
Director

Tang Chee Wee
Director

31 May 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nico Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 39 to 91, which comprise the statements of financial position of the Group and of the Company as at 28 February 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 28 February 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Refer to Notes 3 (i) and 11 to the consolidated financial statements.

Description of key audit matter:

As at 28 February 2017, the carrying amount of property, plant and equipment was US$3,355,114 which represented 21% of total assets.

Management determines at the end of each reporting period the existence of any objective evidence that the Group's property, plant and equipment may be impaired. If there are indicators of impairment, the deficit between the recoverable amount of the property, plant and equipment and its carrying amount would be recognised as impairment loss in profit or loss.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Impairment of property, plant and equipment (cont'd)

The identification of different cash generating units ("CGUs"), assessment of indicators of impairment and where such indicators exist, the determination of the recoverable amounts of the CGUs require judgement. The determination of the recoverable amounts when value in use is applicable requires estimates of forecasted revenues, growth rates, profit margins, tax rates and discount rates.

Our procedures to address the matter:

We assessed the determination of the CGUs and the recoverable amounts of the CGUs based on our understanding of the nature of the Group's business and the economic environment in which its CGUs operate.

We reviewed the CGUs' historical performances and held discussions with management to understand their assessment of the future performance of the CGUs. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives. We assessed management's estimates applied in the value-in-use models based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance.

We tested the mathematical accuracy of the value-in-use models and evaluated the sensitivity of the outcomes by considering the downside scenarios against changes to the key assumptions. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Write down of inventories

Refer to Notes 3 (ii) and 16 to the consolidated financial statements.

Description of key audit matter:

The carrying value of inventories amounted to US$7,263,872 and represented 45% of the Group's total assets as at 28 February 2017.

Management determines if the cost of inventories are recoverable by taking into consideration various factors, including ages of the inventories, prevailing market conditions, anticipated selling prices of the inventories and historical experiences. The determination of the write down of inventories to net realisable value requires judgements regarding the industry trend, expected demand and selling prices of the inventories.

Our procedures to address the matter:

We assessed management's judgements applied in calculating the value of the inventories written down, taking into consideration historical information. We have also reviewed the aging of the inventories and recent sales transactions. We checked the mathematical accuracy of the write down by reviewing the calculation criteria and also assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on the Audit of the Financial Statements (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NICO STEEL HOLDINGS LIMITED

Report on the Audit of the Financial Statements (cont'd)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ong Kian Guan.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

31 May 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 28 February 2017

	Note	2017	2016
		US$	**US$**
Continuing operations			
Revenue	4	**13,292,575**	19,154,927
Cost of sales		**(10,705,034)**	(15,510,273)
Gross profit		**2,587,541**	3,644,654
Other income	5	**98,791**	66,417
Distribution expenses		**(264,716)**	(465,058)
Administrative expenses		**(4,177,118)**	(5,862,753)
Results from operating activities		**(1,755,502)**	(2,616,740)
Finance costs	6	**(134,950)**	(246,574)
Loss before tax	7	**(1,890,452)**	(2,863,314)
Tax expense	8	**(11,894)**	(41,496)
Loss from continuing operations, net of tax		**(1,902,346)**	(2,904,810)
Loss from discontinued operation, net of tax	9	**–**	(161,026)
Loss for the year		**(1,902,346)**	(3,065,836)
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(189,169)**	(519,410)
Other comprehensive loss for the year, net of tax		**(189,169)**	(519,410)
Total comprehensive loss for the year		**(2,091,515)**	(3,585,246)
Loss attributable to:			
Equity holders of the Company		**(1,875,241)**	(2,988,607)
Non-controlling interests		**(27,105)**	(77,229)
Loss for the year		**(1,902,346)**	(3,065,836)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(2,095,841)**	(3,547,865)
Non-controlling interests		**4,326**	(37,381)
Total comprehensive loss for the year		**(2,091,515)**	(3,585,246)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (cents per share)	10		
Basic and diluted			
From continuing operations		**(0.83)**	(2.23)
From discontinued operation		**–**	(0.13)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

At 28 February 2017

		Group		Company	
	Note	2017	2016	2017	2016
		US$	US$	US$	US$
ASSETS					
Non-current assets					
Property, plant and equipment	11	**3,355,114**	3,689,175	**–**	–
Intangible assets	12	**4,036**	4,977	**–**	–
Subsidiaries	13	**–**	–	**7,696,767**	7,763,357
Other investment	14	**18,178**	18,178	**18,178**	18,178
Deferred tax assets	15	**109,446**	54,345	**–**	–
Total non-current assets		**3,486,774**	3,766,675	**7,714,945**	7,781,535
Current assets					
Inventories	16	**7,263,872**	8,316,811	**–**	–
Trade and other receivables	17	**4,263,786**	6,012,490	**1,830,737**	1,321,821
Cash and cash equivalents	18	**1,223,563**	1,943,815	**71,826**	95,535
Total current assets		**12,751,221**	16,273,116	**1,902,563**	1,417,356
Total assets		**16,237,995**	20,039,791	**9,617,508**	9,198,891
EQUITY AND LIABILITIES					
Equity					
Share capital	19	**11,365,849**	8,409,964	**11,365,849**	8,409,964
Reserves	20	**(1,592,879)**	(1,372,279)	**–**	–
Accumulated profits/(losses)		**2,382,137**	4,257,378	**(2,044,420)**	(1,121,411)
Equity attributable to owners of the Company		**12,155,107**	11,295,063	**9,321,429**	7,288,553
Non-controlling interests	13	**(638,435)**	(642,761)	**–**	–
Total equity		**11,516,672**	10,652,302	**9,321,429**	7,288,553
Non-current liabilities					
Borrowings	21	**540**	6,414	**–**	5,583
Deferred tax liabilities	15	**9,928**	9,928	**–**	–
Total non-current liabilities		**10,468**	16,342	**–**	5,583
Current liabilities					
Borrowings	21	**2,039,912**	3,177,862	**5,593**	22,918
Trade and other payables	22	**2,666,412**	6,161,797	**290,127**	1,880,646
Current tax payable		**4,531**	31,488	**359**	1,191
Total current liabilities		**4,710,855**	9,371,147	**296,079**	1,904,755
Total liabilities		**4,721,323**	9,387,489	**296,079**	1,910,338
Total equity and liabilities		**16,237,995**	20,039,791	**9,617,508**	9,198,891

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 28 February 2017

	Attributable to owners of the Company							
	Share capital	**Merger reserve**	**Currency translation reserve**	**Statutory surplus reserve**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Group								
At 1 March 2016	8,409,964	(2,824,780)	1,071,263	381,238	4,257,378	11,295,063	(642,761)	10,652,302
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	(1,875,241)	(1,875,241)	(27,105)	(1,902,346)
Other comprehensive income								
Foreign currency translation differences	–	–	(220,600)	–	–	(220,600)	31,431	(189,169)
	–	–	(220,600)	–	(1,875,241)	(2,095,841)	4,326	(2,091,515)
Transactions with owners, recognised directly in equity								
Equity-settled commitment fee (Note 19)	177,950	–	–	–	–	177,950	–	177,950
Conversion of shares from convertible bonds (Note 19)	2,777,935	–	–	–	–	2,777,935	–	2,777,935
At 28 February 2017	**11,365,849**	**(2,824,780)**	**850,663**	**381,238**	**2,382,137**	**12,155,107**	**(638,435)**	**11,516,672**
At 1 March 2015	8,409,964	(2,824,780)	1,630,521	381,238	7,245,985	14,842,928	(605,380)	14,237,548
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	(2,988,607)	(2,988,607)	(77,229)	(3,065,836)
Other comprehensive income								
Foreign currency translation differences	–	–	(559,258)	–	–	(559,258)	39,848	(519,410)
	–	–	(559,258)	–	(2,988,607)	(3,547,865)	(37,381)	(3,585,246)
At 29 February 2016	8,409,964	(2,824,780)	1,071,263	381,238	4,257,378	11,295,063	(642,761)	10,652,302

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 28 February 2017

	2017	2016
	US$	US$
Cash flows from operating activities		
Loss before tax from continuing operations	**(1,890,452)**	(2,863,314)
Loss before tax from discontinued operation	**–**	(161,026)
Loss before tax, total	**(1,890,452)**	(3,024,340)
Adjustments for:		
Depreciation of property, plant and equipment	**249,062**	315,005
Gain on disposal of property, plant and equipment	**–**	(2,316)
Property, plant and equipment written off	**14,418**	–
Amortisation of intangible assets	**1,199**	1,409
Write down of inventories	**459,665**	1,634,786
Impairment loss on trade receivables	**49,019**	12,303
Interest income from banks	**(1,060)**	(6,676)
Interest expense	**134,950**	246,574
Loss on disposal of a subsidiary	**–**	141,528
Dividend income	**(198)**	(932)
Equity-settled commitment fee	**177,950**	–
	(805,447)	(682,659)
Changes in working capital:		
Inventories	**593,274**	2,039,896
Trade and other receivables	**1,632,507**	4,757,380
Trade and other payables	**(1,480,110)**	(5,502,739)
Currency translation adjustments	**(100,639)**	(388,578)
Cash from operating activities	**(160,415)**	223,300
Income tax paid, net	**(26,773)**	(167,421)
Net cash (used in)/from operating activities	**(187,188)**	55,879
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**–**	15,512
Purchase of property, plant and equipment	**(18,755)**	(50,013)
Purchase of intangible assets	**(258)**	(250)
Interest received	**1,060**	6,676
Dividend received	**198**	932
Disposal of discontinued operation, net of cash disposed of (Note 9)	**–**	57,215
Net cash (used in)/from investing activities	**(17,755)**	30,072
Cash flows from financing activities		
Proceeds from non-trade amount due to affiliated companies	**–**	176,636
Repayment of non-trade amount due to affiliated companies	**(1,126,325)**	–
Proceeds from issue of redeemable convertible bonds	**2,813,590**	–
Proceeds from loan from directors	**150,000**	–
Repayment of loan from directors	**(1,074,605)**	(22,641)
Proceeds from bank loans	**–**	1,650,000
Repayment of bank loans	**(1,120,517)**	(948,825)
Repayment of finance lease liabilities	**(23,306)**	(25,353)
Interest paid	**(134,950)**	(246,574)
Net cash (used in)/from financing activities	**(516,113)**	583,243
Net (decrease)/increase in cash and cash equivalents	**(721,056)**	669,194
Cash and cash equivalents at 1 March	**1,943,815**	1,270,451
Effect of exchange rate fluctuations on cash held	**804**	4,170
Cash and cash equivalents at 28 February/29 February	**1,223,563**	1,943,815

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

Nico Steel Holdings Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 51 Loyang Way, Singapore 508744.

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 subsidiaries are set out in Note 13.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are presented in United States dollar (US$), which is the Company's functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

The adoption of these new/revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 28 February 2017 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except as disclosed below:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently assessing the impact of applying the new standard on the Group's financial statements.

The Group plans to adopt the standard when it becomes effective in financial year ending 28 February 2019.

FRS 109 Financial Instruments

FRS 109 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

(a) *Classification and measurement*

While the Group has yet to undertake a detailed assessment of the classification and measurement of its financial assets, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109:

- Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under FRS 109.
- The Group will be able to elect to present changes in fair value in other comprehensive income (OCI) for equity instruments currently classified as available-for-sale (AFS) financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

FRS 109 Financial Instruments (cont'd)

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all its trade receivables.

The Group has not undertaken a detailed assessment of the impact of the impairment provisions under FRS 109 but the Group expects that the new expected loss model may result in an earlier recognition of credit losses.

The Group plans to adopt the standard when it becomes effective in financial year ending 28 February 2019.

FRS 116 Leases

FRS 116 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$443,338 (Note 24). The Group anticipates that the adoption of FRS 116 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. But, it is not practicable to provide a reasonable estimate of the impact of FRS 116 until the Group performs a detailed assessment.

The Group will perform a detailed assessment of the impact and plans to adopt the standard on the required effective date.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (full IFRS convergence) in 2018. The Group will adopt the new financial reporting framework on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

Sale of goods

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(e). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

Business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity. Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

e) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

f) Property, plant and equipment (cont'd)

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss; any amount in asset revaluation reserve relating to that asset is transferred to retained earnings directly.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Factory buildings	20 – 60 years
Leasehold improvements	5 years
Plant and machinery	10 years
Furniture, fittings and office equipment	5 years
Computers	3 years
Motor vehicles	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

g) Intangible assets

Trademark and licenses

Acquired trademarks and licences are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

h) Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

h) Impairment of non-financial assets excluding goodwill (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

j) Leases

When a Group entity is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

k) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the reporting date.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

l) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments) and "cash and cash equivalents" on the statements of financial position.

Financial assets, available-for-sale

Financial assets, available-for-sale include equity that are non-derivatives and are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the reporting date.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

l) Financial assets (cont'd)

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in fair value reserve/other comprehensive income, together with the related currency translation differences.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

(v) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

l) Financial assets (cont'd)

(v) Impairment (cont'd)

Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

(vi) Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

m) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits. Bank overdrafts are presented as current borrowings on the statements of financial position.

n) Financial liabilities

Financial liabilities include trade and other payables, loans and borrowings, and bank overdraft. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

o) Financial guarantees contracts

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contracts.

p) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

q) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

r) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

s) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

s) Employee benefits (cont'd)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

t) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates ('the functional currency'). The financial statements of the Group and the Company are presented in United States dollar, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency transaction reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the date of the statements of financial position;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

t) Foreign currencies (cont'd)

Translation of Group entities' financial statements (cont'd)

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

u) Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

v) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chairman for making decisions about allocating resources and assessing performance of the operating segments.

w) Earnings per share ("EPS")

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

2 Summary of significant accounting policies (cont'd)

x) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of non-financial assets and the carrying amount of the non-financial assets, are given in Notes 11 to 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

3 Key sources of estimation uncertainty (cont'd)

ii) Inventories

Where necessary, write down of inventories to net realisable value is set up for estimated losses where the cost of inventories may not be recoverable. The Group estimates the write down based on the ages of the inventories, prevailing market conditions, anticipated selling prices of the inventories and historical experiences. The required level of write down could change significantly as a result of changes in market conditions. Adjustments to the carrying amount of inventories may be made in future periods in the event that their carrying amounts may not be recoverable resulting from future loss events.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 16 to the financial statements.

iii) Impairment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables at the end of the reporting period is disclosed in Note 17 to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade receivables and the trade receivables balance at the end of the reporting period will be affected accordingly.

4 Revenue

Revenue represents sale of goods in the normal course of business, net of returns, trade discounts and volume rebates.

5 Other income

	Group	
	2017	**2016**
	US$	**US$**
Dividend income	**198**	932
Rental income	**–**	965
Government grants	**10,569**	8,010
Sales of scrap materials	**26,542**	27,615
Gain on disposal of property, plant and equipment	**–**	2,316
Interest income from banks	**1,060**	6,676
Others	**60,422**	19,903
	98,791	66,417

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

6 Finance costs

	Group	
	2017	**2016**
	US$	**US$**
Interest expenses:		
– finance lease liabilities	**6,696**	6,779
– bills payable, bank overdraft and bank loans	**128,254**	239,795
	134,950	246,574

7 Loss before tax

The following items have been included in arriving at loss for the year:

	Group	
	2017	**2016**
	US$	**US$**
Staff costs		
Wages and salaries	**1,277,699**	1,532,823
Contributions to defined contribution plans	**83,274**	95,125
Other staff costs	**189,889**	273,552
	1,550,862	1,901,500
Cost of sales		
Cost of inventories included in cost of sales	**10,533,722**	14,920,733
Depreciation of property, plant and equipment	**126,164**	156,019
Other expenses		
Depreciation of property, plant and equipment	**122,898**	158,986
Write down of inventories	**459,665**	1,634,786
Amortisation of intangible assets	**1,199**	1,409
Impairment loss on trade receivables	**49,019**	12,303
Property, plant and equipment written off	**14,418**	–
Loss on disposal of a subsidiary	**–**	141,528
Directors' fees	**151,790**	75,419
Operating lease expense	**237,967**	287,102
Audit services		
- auditor of the Company	**47,065**	25,214
- other auditors*	**14,390**	41,161
Non-audit services		
- auditor of the Company	**2,473**	–
- other auditors*	**1,425**	9,184
Exchange loss	**59,940**	399,774
Equity – settled commitment fee	**177,950**	–

* Include independent member firms of the Baker Tilly International Network.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

8 Tax expense

	Group	
	2017	**2016**
	US$	**US$**
Tax recognised in profit or loss		
Current tax expense		
Current year	**71,362**	56,549
(Over)/under provision for prior years	**(5,914)**	15,997
	65,448	72,546
Deferred tax expense		
Origination and reversal of temporary difference (Note 15)	**(53,554)**	(31,050)
Tax expense on continuing operations	**11,894**	41,496

	US$	US$
Reconciliation of effective tax rate		
Loss before tax from continuing operations	**(1,890,452)**	(2,863,314)
Tax calculated using Singapore tax rate of 17% (2016: 17%)	**(321,377)**	(486,763)
Effect of different tax rates in other countries	**(8,801)**	(141,476)
Expenses not deductible for tax purposes	**146,455**	308,767
Income not subject to tax	**–**	(13,457)
(Over)/under provision for prior years	**(5,914)**	15,997
Deferred tax assets not recognised	**203,673**	390,156
Tax incentives	**(1,597)**	(8,306)
Others	**(545)**	(23,422)
	11,894	41,496

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

9 Discontinued operation

In November 2015, the Group sold its wholly-owned subsidiary, Oldtown Resources Limited, which was presented as a discontinued operation for the year ended 29 February 2016.

		Group 2016
	Note	US$
Results of discontinued operation		
Revenue		–
Expenses		(161,026)
Results from operating activities		(161,026)
Tax		–
Results from operating activities, net of tax		
Loss on sale of discontinued operation		(161,026)
Loss for the year		(161,026)
Basic and diluted loss per share (US$)	10	(0.13)

The loss from discontinued operation of US$Nil (2016: Loss of US$161,026) was attributable entirely to the owners of the Company. Of the loss from continuing operations of US$1,902,346 (2016: US$2,904,810), an amount of US$1,875,241 (2016: US$2,827,581) is attributable to the owners of the Company.

	Group 2016
	US$
Operating cash flows representing impact of the discontinued operation on cash flows for the year	(352,562)

Effect of disposal on the financial position of the Group

	Group 2016
	US$
Property, plant and equipment	(2,486)
Trade and other receivables	(196,643)
Cash and cash equivalents	(14,145)
Trade and other payables	386
Net assets and liabilities	(212,888)
Consideration received, satisfied in cash	71,360
Cash and cash equivalents disposed of	(14,145)
Net cash inflow	57,215

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

10 Loss per share

Basic and diluted loss per share are calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Continuing operations		Discontinued operation		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Net loss attributable to equity holders of the Company	**(1,875,241)**	(2,827,581)	**–**	(161,026)	**(1,875,241)**	(2,988,607)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	**226,943,292**	126,814,447	**226,943,292**	126,814,447	**226,943,292**	126,814,447
Basic and diluted loss per share (cents per share)	**(0.83)**	(2.23)	**–**	(0.13)	**(0.83)**	(2.36)

Basic loss per share from continuing and discontinued operations is calculated by dividing the loss for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year. As at the end of the respective financial year, diluted loss per share is similar to basic loss per share as there is no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

11 Property, plant and equipment

	Factory buildings	Leasehold improvements	Plant and machinery	Furniture, fittings and office equipment	Computers	Motor vehicles	Total
	US$	US$	US$	US$	US$	US$	US$
Group							
Cost							
At 1 March 2015	3,603,031	219,073	2,445,630	122,807	254,365	779,821	7,424,727
Additions	17,853	1,186	7,184	976	4,497	18,317	50,013
Disposals and write-off	–	–	–	(909)	(4,865)	(150,149)	(155,923)
Disposal of subsidiary	–	–	–	(451)	(3,502)	–	(3,953)
Effect of movements in exchange rates	(120,808)	(10,596)	(133,572)	(6,487)	(5,178)	(24,580)	(301,221)
At 29 February 2016	3,500,076	209,663	2,319,242	115,936	245,317	623,409	7,013,643
Additions	13,863	–	1,816	1,537	1,539	–	18,755
Write-off	–	–	(44,364)	–	(805)	–	(45,169)
Effect of movements in exchange rates	(89,934)	(3,153)	(82,528)	(3,378)	(2,317)	(6,203)	(187,513)
At 28 February 2017	**3,424,005**	**206,510**	**2,194,166**	**114,095**	**243,734**	**617,206**	**6,799,716**
Accumulated depreciation and impairment loss							
At 1 March 2015	629,155	176,527	1,472,997	100,382	235,699	702,449	3,317,209
Depreciation for the year	101,934	20,912	161,389	6,472	7,507	16,791	315,005
Disposals and write-off	–	–	–	(849)	(4,086)	(137,792)	(142,727)
Disposal of subsidiary	–	–	–	(105)	(1,362)	–	(1,467)
Effect of movements in exchange rates	(35,465)	(9,661)	(89,467)	(5,241)	(4,614)	(19,104)	(163,552)
At 29 February 2016	695,624	187,778	1,544,919	100,659	233,144	562,344	3,324,468
Depreciation for the year	104,088	11,931	112,817	3,940	3,602	12,684	249,062
Write-off	–	–	(29,946)	–	(805)	–	(30,751)
Effect of movements in exchange rates	(29,501)	(3,301)	(55,630)	(3,004)	(2,073)	(4,668)	(98,177)
At 28 February 2017	**770,211**	**196,408**	**1,572,160**	**101,595**	**233,868**	**570,360**	**3,444,602**
Carrying amount							
At 29 February 2016	2,804,452	21,885	774,323	15,277	12,173	61,065	3,689,175
At 28 February 2017	**2,653,794**	**10,102**	**622,006**	**12,500**	**9,866**	**46,846**	**3,355,114**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

11 Property, plant and equipment (cont'd)

	Computers	Motor vehicles	Total
	US$	US$	US$
Company			
Cost			
At 29 February 2016 and 28 February 2017	1,112	233,986	235,098
Accumulated depreciation			
At 29 February 2016 and 28 February 2017	1,112	233,986	235,098
Carrying amount			
At 29 February 2016 and 28 February 2017	–	–	–

The factory building with carrying amount of US$1,469,348 (2016: US$1,496,308) is mortgaged to a bank to secure banking facilities of the Group (Note 21).

As at the reporting date, the carrying amount of photocopier held under finance lease arrangements of the Group amounted US$986 (2016: US$1,471).

Assessment for impairment

At the reporting date, the Group continues to operate at losses. In view of the impairment indicator, an assessment of the recoverable amount of its property, plant and equipment was performed.

For the purpose of the Group's impairment assessment, the Group had identified the following CGUs:

Country of operations	CGU	Carrying amount 2017	2016
		US$	US$
Singapore and Malaysia	1	**1,594,969**	1,654,599
People's Republic of China	2	**1,730,762**	1,992,371
Thailand	3	**29,383**	42,205

Based on management's impairment assessment, the recoverable amounts of CGU1 and CGU2 are determined based on its value in use calculations. No impairment test was performed for CGU3 as the carrying amount of property, plant and equipment was not significant.

Key assumptions used in value in use calculations

The value in use calculations are determined based on the Group's past performance, forecasted revenues, growth rates, profit margins, tax rates and discount rates. The Group's value in use calculations used cash flow forecasts derived from the most recent financial budgets approved by management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

11 Property, plant and equipment (cont'd)

Assessment for impairment (cont'd)

CGU1

The value in use calculation uses discounted cash flow projections which take into account management's assessment of (i) revenue growth of 51% in next year and 13% for the next four years (2016: 5% in next year and 4% for the next four years); (ii) gross profit margin of 24% (2016: 14%) for the next five years; (iii) pre-tax discount rate of 13.6% (2016: 11.9%) estimated based on industry average weighted-average cost of capital; and (iv) a terminal value growth rate of 0% from 2022 (2016: 0% from 2021). Based on the above value in use calculation, there is no impairment loss to be recognised in profit or loss (2016: Nil).

CGU2

The value in use calculation uses discounted cash flow projections which take into account management's assessment of (i) revenue growth of 10% in next year and 5% for the next 4 years (2016: 10% in next year and 4% for the next 4 years); (ii) gross profit margin of 20.0% (2016: 14%) for the next five years; (iii) pre-tax discount rate of 16.3% (2016: 12.7%) estimated based on industry average weighted-average cost of capital; and (iv) a terminal value growth rate of 0% from 2022 (2016: 0% from 2021). Based on the above value in use calculation, there is no impairment loss to be recognised in profit or loss (2016: Nil).

Sensitivity to changes in assumptions

For CGU1, the estimated recoverable amount exceeds its carrying amount by approximately US$96,000 as at 28 February 2017 (2016: US$211,000). Management has identified revenue growth and gross profit margins as key assumptions for which a reduction of 3% in revenue growth from the second to the fifth year or a decrease in the gross profit margin by 1% would lead to carrying amount exceeding the recoverable amount.

With regards to the assessment of value in use for CGU2, management believes that the change in the estimated recoverable amount from any reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be materially lower than the carrying amount of the CGU.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

12 Intangible assets

	Patents	Trademarks	Total
	US$	**US$**	**US$**
Cost			
At 1 March 2015	27,951	18,846	46,797
Additions	250	–	250
At 29 February 2016	28,201	18,846	47,047
Additions	258	–	258
At 28 February 2017	28,459	18,846	47,305
Accumulated amortisation			
At 1 March 2015	23,287	17,374	40,661
Amortisation for the year	1,180	229	1,409
At 29 February 2016	24,467	17,603	42,070
Amortisation for the year	970	229	1,199
At 28 February 2017	25,437	17,832	43,269
Carrying amount			
At 28 February 2016	3,734	1,243	4,977
At 28 February 2017	**3,022**	**1,014**	**4,036**

13 Subsidiaries

	2017	2016
	US$	**US$**
Unquoted equity shares, at cost		
At 1 March	**7,829,357**	6,678,649
Additions	**–**	1,650,708
Disposal	**–**	(500,000)
	7,829,357	7,829,357
Allowance for impairment loss	**(132,590)**	(66,000)
Carrying amount at 28 February/29 February	**7,696,767**	7,763,357
Movement of allowance for impairment:		
At 1 March	**66,000**	192,088
Charge during the financial year	**66,590**	–
Disposal during the financial year	**–**	(126,088)
At 28 February/29 February	**132,590**	66,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

13 Subsidiaries (cont'd)

(a) Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ Place of business	Effective equity held by the Group 2017	Effective equity held by the Group 2016
			%	%
[1] Nico Steel Solutions (S) Pte Ltd	Provision of metal slitting services and import and export trading	Singapore	**100**	100
[2] Nico Steel Centre (Thailand) Co., Ltd	Provision of ferrous and non-ferrous raw materials in strip-in coils for the stamping and metal fabricating industries	Thailand	**100**	100
[3] Nico Steel Solutions (Suzhou) Pte Ltd	Provision of metallurgical solutions and metal slitting services for local market in China	People's Republic of China	**100**	100
[3] Nico Steel Centre (Suzhou) Co., Ltd	Provision of metallurgical solutions and metal slitting services for export oriented customers in China	People's Republic of China	**100**	100
[3] Nico Steel Technology (Suzhou) Co., Ltd	Provision of electro-plating process, material surface treatment and chemistry blending for electronic products	People's Republic of China	**80**	80
[4] Nico Steel Solutions (M) Sdn Bhd	Dormant	Malaysia	**100**	100
[5] Nico Trading Solutions Pte. Ltd.	Dormant	Singapore	**100**	100
[5] Nico SIP Trading Company Limited	Provision of ferrous and non-ferrous raw materials for metal and plastic fabricating industries including import and export trading and distribution	People's Republic of China	**100**	100

(1) Audited by Baker Tilly TFW LLP, Singapore.

(2) Audited by Sukhum International Audit Co., Ltd., a member of the Institute of Certified Accountants and Auditors of Thailand.

(3) Audited by Suzhou Fangben Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants for statutory audit purposes and by Baker Tilly China Certified Public Accountants for consolidation purposes.

Nico Steel Centre (Suzhou) Co., Ltd, Nico Steel Solutions (Suzhou) Pte Ltd and Nico Steel Technology (Suzhou) Co., Ltd are foreign enterprises established in the People's Republic of China on 31 December 2001, 27 May 2003 and 16 October 2007 respectively for a term of 50 years.

(4) Audited by CSY & Associates, a member of the Malaysian Institute of Accountants.

(5) Not required to be audited under the law of country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

13 Subsidiaries (cont'd)

(b) Significant restrictions

Cash and cash equivalents of US$621,320 (2016: US$610,818) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

(c) Summarised financial information of subsidiaries with material non-controlling interest ("NCI")

The following summarises the financial information of the Group's subsidiary with material non-controlling interests, based on its financial statements prepared in accordance with FRSs, adjusted for differences in the Group's accounting policies.

	Nico Steel Technology (Suzhou) Co., Ltd	
	2017	**2016**
	US$	**US$**
NCI percentage	**20%**	20%
Revenue	**839,357**	533,447
Loss for the year	**(135,525)**	(386,144)
Other comprehensive income	**157,155**	199,240
Total comprehensive income/(loss)	**21,630**	(186,904)
Attributable to NCI:		
Loss for the year	**(27,105)**	(77,229)
Other comprehensive income	**31,431**	39,848
Total comprehensive income/(loss)	**4,326**	(37,381)
Non-current assets	**98,991**	142,664
Current assets	**305,139**	147,478
Current liabilities	**(3,596,303)**	(3,503,947)
Net liabilities	**(3,192,173)**	(3,213,805)
Net liabilities attributable to NCI	**(638,435)**	(642,761)
Cash flows from operating activities	**35,631**	22,005
Cash flows used in investing activities	**(1,866)**	(15,881)
Net increase in cash and cash equivalents	**33,765**	6,124

(d) The Company has applied to the Accounting and Corporate Regulatory Authority to strike off Nico Trading Solutions Pte. Ltd., a wholly owned subsidiary on 12 May 2017. Accordingly, the cost of investment in this subsidiary amounting to US$708 is fully impaired.

(e) The Company is in the midst of winding up Nico Steel Solutions (M) Sdn Bhd, a wholly owned subsidiary. Accordingly, the cost of investment in this subsidiary amounting to US$65,882 is fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

14 Other investment

	Group and Company	
	2017	**2016**
	US$	**US$**
Available-for-sale quoted equity securities	**18,178**	18,178

The above equity securities are re-measured at fair value categorised as Level 1 in the fair value hierarchy, with quoted prices (unadjusted) in active markets for identical assets or liabilities.

15 Deferred tax assets/(liabilities)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Group				
Property, plant and equipment	**–**	–	**(9,928)**	(9,928)
Inventories	**108,300**	53,010	**–**	–
Trade and other payables	**1,146**	1,335	**–**	–
Deferred tax assets/(liabilities)	**109,446**	54,345	**(9,928)**	(9,928)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Movement in temporary differences during the year:

	Balance as at 1 March 2015	Recognised in profit or loss (Note 8)	Exchange differences	Balance as at 29 February 2016	Recognised in profit or loss (Note 8)	Exchange differences	Balance as at 28 February 2017
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Group							
Deferred tax assets							
Inventories	25,174	30,996	(3,160)	53,010	53,770	1,520	108,300
Trade and other payables	1,411	54	(130)	1,335	(216)	27	1,146
	26,585	31,050	(3,290)	54,345	53,554	1,547	109,446
Deferred tax liabilities							
Property, plant and equipment	(9,928)	–	–	(9,928)	–	–	(9,928)
	16,657	31,050	(3,290)	44,417	53,554	1,547	99,518

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

15 Deferred tax assets/(liabilities) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2017	2016
	US$	**US$**
Tax losses	**4,893,000**	4,226,000
Write down of inventories	**1,215,000**	1,133,000

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. Tax losses of US$3,326,000 (2016: US$3,537,000) arising in certain foreign tax jurisdictions have an expiry period of 5 years.

Unrecognised temporary differences relating to investments in subsidiaries

At 28 February 2017, temporary differences of US$3,762,000 (2016: US$4,708,000) related to undistributed earnings of certain investments in subsidiaries were not recognised because the Company is able to control the timing of the reversal of the temporary differences and is satisfied that the temporary differences will not reverse in the foreseeable future.

16 Inventories

	2017	2016
	US$	**US$**
Raw materials	**2,403,622**	3,254,984
Finished goods	**4,860,250**	5,061,827
	7,263,872	8,316,811

Raw materials and finished goods recognised as cost of sales amounted to US$10,533,722 (2016: US$14,920,733).

As at reporting date, the inventories are stated after write down of inventories to net realisable value of US$2,111,690 (2016: US$1,701,345). The write down of inventories to net realisable value amounting to US$459,665 (2016: US$1,634,786) is included in administrative expenses in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

17 Trade and other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Trade receivables	**4,022,155**	5,502,430	**–**	–
Non-trade amounts due from subsidiaries	**–**	–	**1,813,728**	1,311,534
Deposits	**77,314**	77,581	**–**	–
Other receivables	**133,637**	197,471	**200**	–
Tax recoverable	**–**	67,181	**–**	–
	4,233,106	5,844,663	**1,813,928**	1,311,534
Impairment losses	**(190,413)**	(140,503)	**–**	–
	4,042,693	5,704,160	**1,813,928**	1,311,534
Prepayments	**221,093**	308,330	**16,809**	10,287
	4,263,786	6,012,490	**1,830,737**	1,321,821

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances.

The Group and the Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables (excluding prepayments) are disclosed in Note 25.

18 Cash and cash equivalents

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Cash at banks	**1,210,340**	1,937,837	**71,826**	95,535
Cash in hand	**13,223**	5,978	**–**	–
	1,223,563	1,943,815	**71,826**	95,535

19 Share capital

	2017		2016	
	Number of Issued shares	**Issued share capital**	Number of issued shares	**Issued share capital**
		US$		**US$**
Balance at beginning of financial year	**126,814,447**	**8,409,964**	126,814,447	8,409,964
Equity-settled commitment fee	**10,416,666**	**177,950**	–	–
Conversion of shares from convertible bonds	**360,389,609**	**2,777,935**	–	–
Balance at end of financial year	**497,620,722**	**11,365,849**	126,814,447	8,409,964

The Company issued the first sub-tranche of the Tranche 1 Bonds in the principal amount of SGD1,000,000 to the subscriber on 15 March 2016 and allotted and issued 10,416,666 commitment shares at the issue price of SGD0.024 per commitment share to the subscriber for the settlement of the commitment fee of US$177,950. Subsequently, the Company issued further three sub-tranches of the Tranche 1 Bonds for a total of SGD3,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

19 Share capital (cont'd)

During the financial year, the bondholders had opted to exercise their right to convert the Tranche 1 Bonds in the principal amount of SGD3,950,000 in accordance with the terms and subject to the conditions of the Subscription Agreement. Pursuant to the said conversions, 360,389,609 conversion shares were issued to the bondholders.

There was an over-allotment of 5,454,546 new ordinary shares during the year. The Company has subsequently on 17 May 2017 rectified shareholders' register and its total issued share capital with the relevant authorities. The resultant share capital of the Company after rectification is 492,166,176 shares.

As at 28 February 2017, included in trade and other payables, SGD50,000 of the Tranche 1 Bonds has yet to be converted.

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.

20 Reserves

	Group	
	2017	**2016**
	US$	**US$**
Merger reserve	**(2,824,780)**	(2,824,780)
Currency translation reserve	**850,663**	1,071,263
Statutory surplus reserve	**381,238**	381,238
	(1,592,879)	(1,372,279)

Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the "pooling of interests" method of accounting.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

Statutory surplus reserve

According to the relevant People's Republic of China ("PRC") regulations, certain subsidiaries are required to transfer 10% of profit after taxation, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the Company's registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

21 Borrowings

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Non-current liability				
Secured				
Finance lease liabilities	**540**	6,414	**–**	5,583
Current liability				
Secured				
Bank loan A	**1,150,000**	1,650,000	**–**	–
Bank loan B	**883,824**	1,504,342	**–**	–
Finance lease liabilities	**6,088**	23,520	**5,593**	22,918
	2,039,912	3,177,862	**5,593**	22,918
Total borrowings	**2,040,452**	3,184,276	**5,593**	28,501

Bank loans

(i) Bank loan A is secured by the mortgage over the Group's property at 51 Loyang Way and is guaranteed by the Company (Note 11).

(ii) Bank loan B is secured against trade receivables in China amounting to US$2,393,462 (2016: US$3,126,015) and is guaranteed by the Company.

Finance lease liabilities

At the reporting date, the Group's finance lease liabilities are payable as follows:

	2017			2016		
	Future minimum lease payments	Interest	Principal	Future minimum lease payments	Interest	Principal
	US$	US$	US$	US$	US$	US$
Group						
Within one year	**7,813**	**1,725**	**6,088**	30,083	6,563	23,520
Between one and five years	**581**	**41**	**540**	8,207	1,793	6,414
	8,394	**1,766**	**6,628**	38,290	8,356	29,934
Company						
Within one year	**7,198**	**1,605**	**5,593**	29,332	6,414	22,918
Between one and five years	**–**	**–**	**–**	7,186	1,603	5,583
	7,198	**1,605**	**5,593**	36,518	8,017	28,501

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

21 Borrowings (cont'd)

Finance lease liabilities (cont'd)

Terms and conditions of outstanding borrowings are as follows:

	Nominal interest rate	Year of maturity	2017 Fair value	2017 Carrying amount	2016 Fair value	2016 Carrying amount
	%		US$	US$	US$	US$
Group						
USD floating rate loan A	1.5% above prevailing 3 months Cost of Funds	2018/2017	**1,150,000**	**1,150,000**	1,650,000	1,650,000
RMB floating rate loan B	SIBOR + 2.15% per annum	2018/2017	**883,824**	**883,824**	1,504,342	1,504,342
Finance lease liabilities	2.8% to 6.95%	2017-2019	**8,394**	**6,628**	38,290	29,934
			2,042,218	**2,040,452**	3,192,632	3,184,276
Company						
Finance lease liabilities	2.8%	2018/2017	**7,198**	**5,593**	36,518	28,501

22 Trade and other payables

	Group 2017	Group 2016	Company 2017	Company 2016
	US$	US$	US$	US$
Trade payables	**826,410**	492,236	**–**	–
Non-trade amounts due to related parties:				
- subsidiaries	**–**	–	**47,817**	317,740
- affiliated companies	**–**	1,126,325	**–**	784,282
Loan from directors	**30,787**	955,392	**18,911**	173,122
Bills payable	**772,375**	1,860,878	**–**	–
Accrued operating expenses	**357,929**	930,859	**179,508**	536,463
Other payables	**678,911**	796,107	**43,891**	69,039
	2,666,412	6,161,797	**290,127**	1,880,646

Non-trade amounts due to related parties and loan from directors are unsecured, interest-free and repayable on demand (see note 26 for definition of affiliated companies).

The weighted average effective interest rate of bills payable of the Group at the reporting date is 2.27% (2016: 1.62%) per annum. Bills payable are guaranteed by the Company.

The Group and the Company's exposures to currency and liquidity risks related to trade and other payables are disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

23 Contingent liabilities

Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of bank overdraft, bank loans and bills payable amounting to US$2,806,199 (2016: US$5,015,220) to secure funding provided to subsidiaries. The financial guarantees will expire when the borrowings have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries. These financial guarantees are accounted for as insurance contracts.

There are no terms and conditions attached to the financial guarantees that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows. At reporting date, the Company does not consider that it is probable that a claim will be made against the Company under these financial guarantees. Accordingly, the Company does not expect any net cash outflows resulting from these financial guarantees and there is no provision made in respect of these obligations.

24 Operating lease commitments

Leases as lessee

The Group leases various factory and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between 1 to 19 years, varying terms and renewal options. No restrictions are imposed on dividends or further leasing.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are as follows:

	Group	
	2017	**2016**
	US$	**US$**
Within one year	**216,158**	216,258
Between one and five years	**207,547**	195,060
More than five years	**19,633**	51,337
	443,338	462,655

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments

a) Categories of financial instruments

The carrying amounts of financial assets and liabilities are as follows:

	Loans and receivables	Available-for-sale financial assets	Other financial liabilities at amortised cost within scope of FRS 39	Other financial liabilities outside scope of FRS 39	Total carrying amount
	US$	US$	US$	US$	US$
Group					
2017					
Financial asset measured at fair value					
Other investment	**–**	**18,178**	**–**	**–**	**18,178**
Financial assets not measured at fair value					
Trade and other receivables*	4,042,693	–	–	–	4,042,693
Cash and cash equivalents	1,223,563	–	–	–	1,223,563
	5,266,256	**–**	**–**	**–**	**5,266,256**
Financial liabilities not measured at fair value					
Bank loans	–	–	(2,033,824)	–	(2,033,824)
Finance lease liabilities	–	–	–	(6,628)	(6,628)
Trade and other payables	–	–	(2,666,412)	–	(2,666,412)
	–	**–**	**(4,700,236)**	**(6,628)**	**(4,706,864)**
2016					
Financial asset measured at fair value					
Other investment	–	18,178	–	–	18,178
Financial assets not measured at fair value					
Trade and other receivables*	5,636,979	–	–	–	5,636,979
Cash and cash equivalents	1,943,815	–	–	–	1,943,815
	7,580,794	–	–	–	7,580,794
Financial liabilities not measured at fair value					
Bank loans	–	–	(3,154,342)	–	(3,154,342)
Finance lease liabilities	–	–	–	(29,934)	(29,934)
Trade and other payables	–	–	(6,161,797)	–	(6,161,797)
	–	–	(9,316,139)	(29,934)	(9,346,073)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

a) Categories of financial instruments (cont'd)

The carrying amounts of financial assets and liabilities are as follows (cont'd):

	Loans and receivables	Available-for-sale financial assets	Other financial liabilities at amortised cost within scope of FRS 39	Other financial liabilities outside scope of FRS 39	Total carrying amount
	US$	**US$**	**US$**	**US$**	**US$**
Company					
2017					
Financial assets measured at fair value					
Other investment	**–**	**18,178**	**–**	**–**	**18,178**
Financial assets not measured at fair value					
Trade and other receivables*	1,813,928	–	–	–	1,813,928
Cash and cash equivalents	71,826	–	–	–	71,826
	1,885,754	**–**	**–**	**–**	**1,885,754**
Financial liabilities not measured at fair value					
Finance lease liabilities	–	–	–	(5,593)	(5,593)
Trade and other payables	–	–	(290,127)	–	(290,127)
	–	**–**	**(290,127)**	**(5,593)**	**(295,720)**
2016					
Financial assets measured at fair value					
Other investment	–	18,178	–	–	18,178
Financial assets not measured at fair value					
Trade and other receivables*	1,311,534	–	–	–	1,311,534
Cash and cash equivalents	95,535	–	–	–	95,535
	1,407,069	–	–	–	1,407,069
Financial liabilities not measured at fair value					
Finance lease liabilities	–	–	–	(28,501)	(28,501)
Trade and other payables	–	–	(1,880,646)	–	(1,880,646)
	–	–	(1,880,646)	(28,501)	(1,909,147)

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

– credit risk
– liquidity risk
– market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's trade receivables comprise 4 debtors (2016: 4 debtors) that individually represented 5% – 11% (FY2016: 5% – 15%) of the trade receivables.

The Company has significant credit risk exposures arising on amounts due from subsidiaries of US$1,813,728 (2016: US$1,311,534) which represented 99% (2016: 99%) of total trade and other receivables.

The carrying amount of financial assets in the statement of financial position and corporate guarantees provided to banks for the subsidiaries' bank borrowings represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held and guarantees issued by third party insurance companies. The Group and the Company do not hold any collateral in respect of its financial assets. At the reporting date, US$3,281,133 (FY2016: US$4,765,519) of trade and other receivables are insured by these third party insurance companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

The maximum exposure to credit risk at the reporting date was:

	Note	Group		Company	
		2017	2016	2017	2016
		US$	US$	US$	US$
Trade and other receivables*	17	**4,042,693**	5,636,979	**1,813,928**	1,311,534
Cash and cash equivalents	18	**1,223,563**	1,943,815	**71,826**	95,535
Corporate guarantees provided to banks for the subsidiaries' bank borrowings	23	**–**	–	**2,806,199**	5,015,220
		5,266,256	7,580,794	**4,691,953**	6,422,289

* Excludes prepayments

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has a credit policy in place which establishes credit limits for all customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit quality of customers is assessed after taking into account its financial position and past experience with customers.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by geographic region was as follows:

	Group	
	2017	2016
	US$	US$
Singapore	**18,776**	38,415
PRC	**3,725,652**	4,330,726
Malaysia	**7,525**	468,631
Thailand	**285,002**	797,948
Others	**5,738**	1,259
	4,042,693	5,636,979

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (excluding prepayments). The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

The ageing of trade and other receivables (excluding prepayments) that were not impaired at the reporting date was:

	2017	2016
	US$	**US$**
Group		
Not past due	**3,736,543**	4,633,731
Past due 0 – 30 days	**180,542**	820,241
Past due 31 – 120 days	**57,151**	135,742
Past due 121 – 365 days	**68,457**	–
Past due more than one year	**–**	47,265
	4,042,693	5,636,979

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2017	**2016**
	US$	**US$**
Gross amount:		
Past due more than one year	**190,413**	140,503
Less: Allowance for impairment	**(190,413)**	(140,503)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Credit risk (cont'd)

Movement in allowance for impairment:

	US$	US$
At 1 March	**140,503**	151,594
Impairment loss recognised in profit or loss	**49,019**	12,303
Write-off	**–**	(10,000)
Currency translation difference	**891**	(13,394)
At 28 February/29 February	**190,413**	140,503

The Group and the Company believes that the unimpaired amounts that are past due are still collectible, based on historic payment behaviour, extensive analyses of customer credit risk, including underlying customers' credit ratings, and guarantees provided by insurance companies, where available.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due. Trade receivables that are past due but not impaired relate to customers that have good payment records with the Group.

Cash and bank balances

Cash at banks are placed with banks and financial institutions which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Liquidity risk (cont'd)

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

		Contractual undiscounted cash flows		
	Carrying amount	**Total**	**Within 1 year**	**Within 2 to 5 years**
	US$	**US$**	**US$**	**US$**
Group				
2017				
Non-derivative financial liabilities				
Bank loans	2,033,824	2,115,498	2,115,498	–
Finance lease liabilities	6,628	8,394	7,813	581
Trade and other payables	2,666,412	2,683,908	2,683,908	–
	4,706,864	**4,807,800**	**4,807,219**	**581**
2016				
Non-derivative financial liabilities				
Bank loans	3,154,342	3,280,640	3,280,640	–
Finance lease liabilities	29,934	38,290	30,083	8,207
Trade and other payables	6,161,797	6,191,959	6,191,959	–
	9,346,073	9,510,889	9,502,682	8,207
Company				
2017				
Non-derivative financial liabilities				
Finance lease liabilities	5,593	7,198	7,198	–
Trade and other payables	290,127	290,127	290,127	–
	295,720	**297,325**	**297,325**	**–**
2016				
Non-derivative financial liabilities				
Finance lease liabilities	28,501	36,518	29,332	7,186
Trade and other payables	1,880,646	1,880,646	1,880,646	–
	1,909,147	1,917,164	1,909,978	7,186

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases, staff cost and other administrative expenses that are denominated in a currency other than the respective functional currencies of Group entities, which are United States (US) dollar, Thai Baht and Chinese Yuan. The currencies in which these transactions primarily are denominated are the Singapore dollar and US dollar.

Exposure to currency risk

The Group and Company's exposures to various foreign currencies are as follows:

	2017		2016	
	Singapore dollar	**US dollar**	**Singapore dollar**	**US dollar**
	US$	**US$**	**US$**	**US$**
Group				
Trade and other receivables	**58,228**	**1,794,302**	69,453	5,779,160
Cash and cash equivalents	**280,901**	**267,221**	178,677	430,402
Borrowings	**(5,593)**	**(1,150,000)**	(28,500)	(1,650,000)
Trade and other payables	**(252,573)**	**(3,421,536)**	(2,351,216)	(498,673)
Net exposure	**80,963**	**(2,510,013)**	(2,131,586)	4,060,889

	2017	2016
	Singapore dollar	**Singapore dollar**
	US$	**US$**
Company		
Trade and other receivables	**670,895**	96,840
Cash and cash equivalents	**71,491**	95,228
Borrowings	**(5,593)**	(28,501)
Trade and other payables	**(215,825)**	(1,874,300)
Net exposure	**520,968**	(1,710,733)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar and US dollar, against the respective functional currencies of the Group entities at the reporting date would have increased profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Group Increase/ (decrease) in loss	Company Increase/ (decrease) in loss
	US$	**US$**
28 February 2017		
Singapore dollar	(8,096)	(52,097)
US dollar	251,001	–
	242,905	**(52,097)**
29 February 2016		
Singapore dollar	213,159	171,074
US dollar	(406,089)	–
	(192,930)	171,074

A 10% weakening of the Singapore dollar and US dollar against the respective functional currencies of the Group entities at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Group Nominal amount	
	2017	**2016**
	US$	**US$**
Fixed rate instruments		
Finance lease liabilities	**6,628**	29,934
Bills payable	**772,375**	1,860,878
	779,003	1,890,812
Variable rate instruments		
Variable interest rate bank loans	**2,033,824**	3,154,342

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

25 Financial instruments (cont'd)

b) Financial risk management (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/(decreased) profit or loss by the amounts shown below. The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates. The analysis is performed on the same basis for 2016.

	Profit or loss	
	100 bp increase	**100 bp decrease**
	US$	**US$**
Group		
28 February 2017		
Variable rate instruments	**(20,338)**	**20,338**
29 February 2016		
Variable rate instruments	(31,543)	31,543

c) Fair values

The carrying amounts of non-derivative financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

26 Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Group and the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and senior management staff of the Group and the Company are considered as key management personnel.

Key management personnel compensation, included in staff costs comprised:

	Group	
	2017	**2016**
	US$	**US$**
Short-term employee benefits	**510,458**	667,752
Post-employment benefits	**48,845**	59,073
	559,303	726,825

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

26 Related party transaction (cont'd)

Other related parties

The directors hold position in other entities that result in them having control, joint control or significant influence over the financial or operating policies of these entities. These other related parties are deemed as affiliated companies of the Group.

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2017	**2016**
	US$	**US$**
Remuneration including contribution to defined contribution plans paid to close member of the family of an executive director	**248,210**	94,939

27 Operating 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 Group's Chairman (the chief operating decision maker) reviews internal management reports of each business unit at least on a monthly basis. 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.

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 below. Performance is measured based on segment profit or loss before tax, as included in the internal management reports that are reviewed by the Group's Chairman. Segment profit or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

27 Operating segments (cont'd)

Information about reportable segments

	Coil Centre	Plating	Others	Total
	US$	US$	US$	US$
2017				
Revenue and expenses				
External revenue	13,289,375	3,200	–	13,292,575
Inter-segment revenue	–	836,157	–	836,157
Total revenue of reportable segments	13,289,375	839,357	–	14,128,732
Interest income	108,922	26	6	108,954
Finance costs	172,181	63,467	7,196	242,844
Depreciation and amortisation	224,946	25,315	–	250,261
Reportable segment loss before tax	(826,378)	(135,522)	(928,552)	(1,890,452)
Tax expense	(15,483)	–	3,589	(11,894)
Reportable segment loss after tax	**(841,861)**	**(135,522)**	**(924,963)**	**(1,902,346)**
Other material non-cash items:				
Write down of inventories	459,665	–	–	459,665
Impairment loss on trade receivables	49,019	–	–	49,019
Equity – settled commitment fee	–	–	177,950	177,950
Other segment assets	15,637,573	404,132	64,630	16,106,335
Other investment	–	–	18,178	18,178
Intangible assets	4,036	–	–	4,036
Deferred tax assets	109,446	–	–	109,446
Total assets	**15,751,055**	**404,132**	**82,808**	**16,237,995**
Capital expenditure	16,939	1,816	–	18,755
Other segment liabilities	4,052,924	403,972	249,968	4,706,864
Current tax payable	4,035	137	359	4,531
Deferred tax liabilities	9,928	–	–	9,928
Total liabilities	**4,066,887**	**404,109**	**250,327**	**4,721,323**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

27 Operating segments (cont'd)

Information about reportable segments (cont'd)

	Coil Centre	Plating	Others	Total
	US$	US$	US$	US$
2016				
Revenue and expenses				
External revenue	19,154,927	–	–	19,154,927
Inter-segment revenue	–	533,447	–	533,447
Total revenue of reportable segments	19,154,927	533,447	–	19,688,374
Interest income	113,976	25	–	114,001
Finance costs	240,060	67,973	6,514	314,547
Depreciation and amortisation	285,346	31,068	–	316,414
Reportable segment loss before tax	(1,722,182)	(386,144)	(916,014)	(3,024,340)
Tax expense	(40,530)	–	(966)	(41,496)
Reportable segment loss after tax	(1,762,712)	(386,144)	(916,980)	(3,065,836)
Other material non-cash items:				
Write down of inventories	1,634,786	–	–	1,634,786
Impairment loss on trade receivables	12,303	–	–	12,303
Other segment assets	19,591,761	290,138	80,392	19,962,291
Other investment	–	–	18,178	18,178
Intangible assets	4,977	–	–	4,977
Deferred tax assets	54,345	–	–	54,345
Total assets	19,651,083	290,138	98,570	20,039,791
Capital expenditure	34,752	15,261	–	50,013
Other segment liabilities	7,427,364	319,047	1,599,662	9,346,073
Current tax payable	30,130	168	1,190	31,488
Deferred tax liabilities	9,928	–	–	9,928
Total liabilities	7,467,422	319,215	1,600,852	9,387,489

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

27 Operating segments (cont'd)

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

	Group	
	2017	2016
	US$	US$
Revenue		
Total revenue for reportable segments	**14,128,732**	19,688,374
Elimination of inter-segment revenue	**(836,157)**	(533,447)
Consolidated revenue	**13,292,575**	19,154,927
Loss before tax		
Total loss before tax for reportable segments	**(2,025,974)**	(3,410,484)
Elimination of inter-segment profits	**135,522**	386,144
Consolidated loss before tax	**(1,890,452)**	(3,024,340)
Tax expense	**(11,894)**	(41,496)
Consolidated loss after tax	**(1,902,346)**	(3,065,836)

	Reportable segment total	Adjustments	Consolidated totals
	US$	US$	US$
Other material items			
2017			
Interest income*	**108,954**	**(107,894)**	**1,060**
Finance costs*	**242,844**	**(107,894)**	**134,950**
Depreciation and amortisation	**250,261**	**–**	**250,261**
Write down of inventories	**459,665**	**–**	**459,665**
Impairment loss on trade receivables	**49,019**	**–**	**49,019**
Equity – settled commitment fee	**177,950**	**–**	**177,950**
2016			
Interest income*	114,001	(107,325)	6,676
Finance costs*	314,547	(67,973)	246,574
Depreciation and amortisation	316,414	–	316,414
Write down of inventories	1,634,786	–	1,634,786
Impairment loss on trade receivables	12,303	–	12,303

* Exclude intercompany items

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 28 February 2017

27 Operating segments (cont'd)

Geographical segment

The principal activity of the Company is that of an investment holding company. Subsidiaries of the Company are located in Singapore, People's Republic of China ("PRC"), Malaysia 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	PRC	Malaysia	Thailand	Others	Total
	US$	US$	US$	US$	US$	US$
2017						
Revenue from external customers	**95,634**	**10,370,511**	**54,604**	**2,453,716**	**318,110**	**13,292,575**
Non-current assets	**1,599,005**	**1,730,762**	**–**	**29,383**	**–**	**3,359,150**
2016						
Revenue from external customers	145,275	11,609,284	2,449,126	3,386,215	1,565,027	19,154,927
Non-current assets	1,659,575	1,992,371	–	42,206	–	3,694,152

Non-current assets information presented above are non-current assets as presented on the consolidated statement of financial position excluding deferred tax assets.

Major customers

Revenue of US$1,311,712 (2016: US$2,305,696) are derived from one external customer (2016: one external customer) who individually contributed 10% or more of the Group's revenue and are attributable to the Group's Coil Centre segment.

28 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and accumulated profits of the Group. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interests' share. There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 Authorisation of financial statements

The financial statements of the Group for the financial year ended 28 February 2017 were authorised for issue in accordance with a resolution of the directors dated 31 May 2017.

SHAREHOLDERS' STATISTICS

As at 19 May 2017

SHARE CAPITAL

Class of shares	:	Ordinary shares
Number of Shares	:	492,166,176
Voting Rights	:	One (1) vote per share
Treasury Shares	:	Nil

Based on the information available to the Company as at 19 May 2017, the percentage of shareholding held in the hands of the public is approximately 83.92% which is more than 10% of the issued share capital of the Company. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

Analysis of Shareholders

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.09	50	0.00
100 – 1,000	32	2.88	15,998	0.00
1,001 – 10,000	212	19.10	1,236,350	0.25
10,001 – 1,000,000	784	70.63	174,439,949	35.45
1,000,001 and above	81	7.30	316,473,829	64.30
	1,110	100.00	492,166,176	100.00

Substantial Shareholders

Name of Substantial Shareholder	Shareholdings registered in the name of substantial shareholder		Shareholdings in which the substantial shareholders are deemed to be interested	
	No. of Shares	%	No. of Shares	%
Parot Tovot LLC	36,000,000	7.31	–	–
Dov Rauchwerger[1]	–	–	36,000,000	7.31

Note:

(1) Deemed to be interested in the shares held by Parot Tovot LLC by virtue of Section 7 of the Companies Act.

SHAREHOLDERS' STATISTICS

As at 19 May 2017

MAJOR SHAREHOLDERS LIST – TOP 20

NO.	NAME	NO. OF SHARES	%
1	PAROT TOVOT LLC	36,000,000	7.31
2	D.S.A.G INVESTMENT PTE. LTD.	20,697,700	4.21
3	UOB KAY HIAN PTE LTD	18,970,000	3.85
4	OCBC SECURITIES PRIVATE LTD	15,559,250	3.16
5	VIKING OFFSHORE AND MARINE LIMITED	10,080,000	2.05
6	RAMESH S/O PRITAMDAS CHANDIRAMANI	10,000,000	2.03
7	DBSN SERVICES PTE LTD	8,000,000	1.63
8	FORTE CAPITAL MANAGEMENT PTE LTD	8,000,000	1.63
9	TAN WEIREN VINCENT (CHEN WEIREN VINCENT)	7,750,000	1.57
10	YAP GEAK KIM	6,900,000	1.40
11	ACECREST INVESTMENTS LIMITED	6,250,000	1.27
12	TAN GIOK LIAN	6,000,000	1.22
13	OU QIUTENG	5,800,000	1.18
14	TANG HEE KYA	5,565,725	1.13
15	TANG CHEE BIAN	5,515,725	1.12
16	RAFFLES NOMINEES (PTE) LTD	5,506,600	1.12
17	TAN CHEE KHIONG	5,503,725	1.12
18	TANG CHEE WEE	5,503,725	1.12
19	KANG KOK HOCK	4,800,000	0.98
20	PHILLIP SECURITIES PTE LTD	4,177,900	0.84
		196,580,350	39.94

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth annual general meeting of **NICO STEEL HOLDINGS LIMITED** (the "**Company**") will be held at Chancery Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on Tuesday, 27 June 2017 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 28 February 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to regulation 107 of the Company's Constitution:

   Mr Tang Chee Wee Andrew **(Resolution 2)**
   Mr Lee Eng Yew Michael **(Resolution 3)**
   [See explanatory Note (i)]

3. To re-elect Mr Gavin Mark McIntyre, a Director retiring pursuant to regulation 117 of the Company's Constitution. **(Resolution 4)**
   [See explanatory Note (ii)]

4. To approve the payment of Directors' fees of S$142,397 for the financial year ended 28 February 2017 (2016: S$140,000). **(Resolution 5)**

5. To approve the payment of an one-off Director's fee of S$36,355 for the period from 3 October 2016 till 8 March 2017. **(Resolution 6)**
   [See explanatory Note (iii)]

6. To re-appoint Messrs Baker Tilly TFW LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as ordinary resolution:

8. **Authority to issue new shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
[See explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Sharon Yeoh
Company Secretary

Singapore, 8 June 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Lee Eng Yew Michael, if re-elected, will remain as member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to remain as Chairman of the Nominating Committee. Mr Lee Eng Yew Michael will be considered as an independent Director of the Company.

(ii) Mr Gavin Mark McIntyre, if re-elected, will remain as member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to remain as Chairman of the Audit Committee. Mr Gavin Mark McIntyre will be considered as an independent Director of the Company.

(iii) This resolution is to facilitate the payment of Director's fee to Mr Egmont Oswin Guneratne in accordance with the terms of his service agreement with the Company. Mr Egmont Oswin Guneratne was appointed as an Executive Director of the Company on 3 October 2016 and resigned on 8 March 2017.

(iv) The ordinary resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this ordinary resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this ordinary resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the annual general meeting. A proxy need not be a member of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the annual general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 51 Loyang Way, Singapore 508744 not less than forty-eight (48) hours before the time appointed for holding the annual general meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NICO STEEL HOLDINGS LIMITED

(Incorporated In the Republic of Singapore)
(Company Registration No.: 200104166D)

PROXY FORM

(Please see notes overleaf before completing this form)

IMPORTANT:

1. A relevant intermediary may appoint more than two (2) proxies to attend the annual general meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy share in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's notice of annual general meeting.

*I/We, ______________________________ NRIC/Passport/Co. Registration No. ______________

of ____

being a member/members of NICO STEEL HOLDINGS LIMITED (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak or vote for *me/us on *my/our behalf at the annual general meeting (the "**Meeting**") of the Company to be held at Chancery Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on Tuesday, 27 June 2017 at 2.00 p.m. at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Voting would be conducted by poll. Please indicate your vote "For" or "Against" with a tick [√] within the box provided.

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 28 February 2017		
2.	Re-election of Mr Tang Chee Wee Andrew as a Director		
3.	Re-election of Mr Lee Eng Yew Michael as a Director		
4.	Re-election of Mr Gavin Mark McIntyre as a Director		
5.	Approval of Directors' fees amounting to S$142,397 for the year ended 28 February 2017		
6.	Approval of an one-off Director's fee amounting to S$36,355 for the period from 3 October 2016 till 8 March 2017		
7.	Re-appointment of Messrs Baker Tilly TFW LLP as Auditors		
8.	Authority to issue new shares		

* *Delete where inapplicable*

Dated this __________ day of ____________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of shareholder(s)/
and, common seal of corporate shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the Meeting.

3. Where a member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   a. a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   b. a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   c. Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   You are entitled to appoint one (1) or more proxies to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 51 Loyang Way, Singapore 508744 not less than 48 hours before the time appointed for the Meeting.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority or a duly certified copy thereof shall (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the Company's registered office at 51 Loyang Way Singapore 508744 not less than 48 hours before the time for holding the Meeting or adjourned meeting, failing which the instrument of proxy shall not be treated as valid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

This page has been intentionally left blank

This page has been intentionally left blank

Think Innovation

Nico Steel Holdings Limited
51 Loyang Way,
Singapore 508744
T: (65) 6542 1886
F: (65) 6542 1986
corporateaffairs@nico.com.sg
www.nicosteel.com