
RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 29 FEBRUARY 2020

The Board of Directors (the “Board”) of Nico Steel Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to provide the following additional information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 10 May 2020 in respect of the Company’s unaudited full year financial statements for the financial year ended 29 February 2020 (“**FY2020**” or “**Financial Statements**”) announced on 28 April 2020.

SGX-ST’s Query 1 :

Please explain the basis and nature of the impairment loss on trade receivables of US\$133,000 recognised in FY2020 as disclosed on page 11 of the Financial Statements.

Company’s Response :

The Group recognised an impairment loss on trade receivable of US\$133,000 (approximately RMB 0.92 million) in accordance with the Group’s credit risk-management policy. The trade debt was part of the total debt of RMB 2.27 million owed by Kunshan Mingjian Precise Electronic Co., Ltd. (昆山明健精密电子有限公司) (“**Mingjian**”) since Jan 2017. This outstanding balance of RMB 0.92 million is assessed to be impaired after Group’s unsuccessful efforts to recover the amount and ceased business relations with Mingjian during the financial year.

SGX-ST’s Query 2 :

With regards to the table setting out the utilisation of net proceeds from the Company’s redeemable convertible bonds, please disclose a breakdown of the category entitled “Group’s general working capital”.

Company’s Response :

Appended below is a table showing the breakdown of the category entitled “Group’s general working capital”:

	<u>S\$'000</u>
Staff cost	3,664
Repayment of advances from Directors ⁽¹⁾	1,212
Repayment of loan receivable from affiliated company (D.S.A.G Investment Pte Ltd) ⁽¹⁾	730
Directors' fee	518
Repayment of loan receivable from subsidiary (Nico Steel Solutions (S) Pte Ltd) ⁽¹⁾	475

Audit fee	329
Legal & professional fees	198
Upkeep of office equipment	135
SGX/CDP listing fees	102
Secretarial fee/Share registrar's fee/Tax agent's fee	50
Travelling expenses for business trips	31
Entertainment expenses for business purpose	21
Upkeep of motor vehicle	9
Total:	<u>7,474</u>

Note:

- (1) The advances from Directors, D.S.A.G Investment Pte Ltd, and Nico Steel Solutions (S) Pte Ltd were for the Group's working capital purposes.

The Board wishes to advise shareholders and potential investors to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take, should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers before trading in or making any investment decision regarding the Company's securities.

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman & President

Date: 13 May 2020