Issuer: Nico Steel Holdings Limited
Security: Nico Steel Holdings Limited

Meeting details:
Date: 27 June 2017
Time: 14:00H
Venue: Chancery Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352

Company Description
Nico Steel Holdings Limited, an investment holding company, provides metal alloys and metallurgical solutions in Singapore, the People's Republic of China, Malaysia, Thailand, and internationally. It operates through two segments, Coil Center and Plating. The company provides metal slitting services; ferrous and non-ferrous raw materials in strip-in coils for use in the stamping, and metal and plastic fabricating industries; and electro-plating process, metal surface treatment, and chemistry blending services for electronic products, as well as trades in ancillary machinery and power generation sets. It also offers internal and external cosmetic parts for LCDs, LEDs, notebooks and keyboards, hard disk drive (HDD) covers and dampers, SIM card holders, bezel plates, RF shields, etc.; and customized specialty metals, as well as metallurgical consultancy services. In addition, the company provides metal alloys that comprise stainless and cold rolled steel products, copper and copper alloys, and aluminum and aluminum alloys; and customized metal alloys under the Nico brand. It serves HDD, telecommunications, consumer electronics, computer peripherals, and other industries. Nico Steel Holdings Limited was founded in 1991 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5GF)

Q1. As stated in the Operations Review (page 9 of the annual report), the overall revenue for FY 2017 decreased by 30.7% to USD13.3 million. Following from the 31.2% drop in revenue from FY 2015 to FY 2016, the group's revenue has decreased from USD 27.9 million to USD 19.2 million in FY 2016 to USD 13.3 million in FY 2017.

The Coil Centre segment, essentially the group's core business, has suffered a reportable segment loss after tax of USD (1.76) million in FY 2016 and USD (0.84) million in FY 2017. In FY 2015, the segment reported a segment profit after tax of USD 0.49 million.

- a) **Can management elaborate further on the challenges in the past two years? What are the reasons for the steep drop in revenue?**
- b) **What are management's plans to improve the group's operational and financial performance?**

There are plans to add a "new 350mm wide plating line in our production facility in Suzhou" and the company is also "evaluating the feasibility of establishing a new manufacturing facility in Vietnam to support the growing electronics manufacturing sector there".

- c) **What was the utilisation rate of the group's facilities for FY 2017?**
- d) **Can management help shareholders understand how a new 350mm wide plating line will help the group in terms of its product range or cost efficiency?**
- e) **What are the expected/potential capital expenditure for the new plating line in Suzhou and for the new manufacturing facility in Vietnam? How is the company going to fund these investments?**

Q2. On 25 February 2016, the company obtained shareholders' approval for the diversification of the business scope, to include:

> *"the production and supply of renewable energy, including the supply and/or trading of equipment used for the production of renewable energy and other sustainable energy sources; and*
>
> *the provision of services and equipment to other energy production businesses".*

The company has proceeded with the bond issue but there is no mention of the progress made in the diversification efforts in the annual report. As noted in the circular dated 5 February 2016, approximately 80-90% of the initial net proceeds from the bond issue is allocated to "M&A activities in relation to the Diversified Business Scope" (page 21 of the circular).

- a) **Can management provide shareholders with an update on the progress made in the diversification efforts?**
- b) **Can the board provide clarity on the cost of the bond issue versus the potential returns from investments into the diversified business scope?**

Q3. As disclosed in the company's announcements dated 2 March 2016 and 5 September 2016, the company has been placed on the watch-list due to the Minimum Trading Price ("MTP") Entry Criterion with effect from 3 March 2016 and the company has also been placed on the watch-list due to the financial entry criteria with effect from 5 September 2016.

- a) **Can the company update shareholders on the plans to meet the requirements of Listing Rule 1314(2) of the Listing Manual (MTP criteria)?**

The company has a 36 month period (from 5 September 2016) to restore its financial health and to meet the requirements of Listing Rule 1314(1). Listing Rule 1314(1) states that an issuer may apply for its removal from the Watch-list if it records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S$40 million or more over the last six (6) months.

b) **Specifically on the profit criteria, can management inform shareholders on their actual plans to restore the group's profitability and to help shareholders understand the key factors (both internal and external) that would enable the group to return to profitability.**