Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Nico Steel Holdings Limited

Stock code: 5GF

Meeting details:
Date: 29 June 2021
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As disclosed in the letter to shareholders, the chairman highlighted the transformative organisation change and the resilience in the business that enabled the group to navigate the pandemic with confidence and rigour. The group's achievements include:

- first in the industry to be twice-certified with 80% minimum pre-consumer scrap recycled aluminum alloy by SCS Global Services (A5052 R80 and A1060 R80)
- being the only company that can provide aluminum materials with recycled content of 80% and above (a significant milestone due to the European Union Metals Ecosystem Directive)
- signing an agreement with Singapore Institute of Manufacturing Technology ("SIMTech") and Enterprise Singapore for Liquid Forging

For FY2021, revenue increased by 23.3% from US$14.0 million to US$17.3 million as the group focused on increasing customers' orders from Chinese companies. As shown in the consolidated statement of profit or loss and other comprehensive income (page 50), profit before tax amounted to US$1.2 million. Equity attributable to equity holders increased to US$17.1 million as at 28 February 2021. The group generated a cash flow of US$790,123 from operating activities.

(i) **Can management elaborate further on its strategy to focus on dominant Chinese companies in the electronic communication devices sector?**

(ii) **What are the major products/classes of products sold by the group to the Chinese customers?**

(iii) **What is the profile of the group's major customer?** In FY2021, the major customer (from the Coil Centre segment) contributed US$1.88 million in revenue, or about 11% of the group's total revenue.

(iv) **What are management's priorities in the next 12-18 months?**

(v) **How will the certifications/collaboration mentioned above improve the prospects of the group?**

Q2. On 16 October 2020, the company received from the Singapore Exchange Securities Trading Limited ("SGX-ST") the notification of delisting from the official list of the SGX-ST. The company's application made on 30 June 2020 for a further extension of 12 months to meet the requirements under Rule 1314(1) of the Listing Manual for its removal from the watch-list has been rejected by the SGX-ST.

(i) **Given the FY2021 financial performance, has the board re-engaged with SGX-ST? Did the board consider a transfer of its listing to the Catalist board?**

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In addition, trading in the company's securities has been suspended with effect from 16 November 2020 until the completion of an exit offer to shareholders.

On 26 June 2019, the Exchange had granted the company an extension of 12 months to meet the requirements under Listing Rule 1314(1) on the condition that, inter alia, the company's controlling shareholders, Mr Tan Chee Khiong Danny and Value Capital Asset Management Private Limited (VCAM), provided SGX-ST with their undertakings to provide a reasonable exit offer. This was completed on 16 July 2019.

(ii) **Can the company provide shareholders with greater clarity on the terms of the undertaking?**

(iii) **Are the undertakings provided by the controlling shareholders, i.e. Mr Tan Chee Khiong Danny and VCAM, legally binding?**

(iv) **Did the undertaking also require the controlling shareholders to maintain their holdings and not to reduce their stakes such that they cease to be controlling shareholders?**

The company had made another application for a further extension of time to meet the criteria for removal from the watchlist. On 16 October 2020, the company's application was rejected and it received the notification of delisting.

On 15 November 2020, the company informed that no exit offer would be given to shareholders. This was because VCAM claims that they are no longer a controlling shareholder given that they sold their holdings after the notification of delisting and held only a 14.79% stake while Mr Tan Chee Khiong Danny does not have the financial resources to make a fair and reasonable offer given the "withdrawal" of VCAM.

(v) **Did the board consider the need to suspend the trading of the company's share upon receipt of the delisting notice?**

(vi) **In addition, given that a substantial shareholder was selling its shares before and after the notification of delisting (see Q3), was it prudent for the board to halt the trading of the shares to maintain a fair, orderly and transparent market?**

(vii) **Did the undertaking by VCAM require it to remain a controlling shareholder before it makes an exit offer?**

(viii) **Has the board considered its rights in enforcing the undertaking by VCAM?**

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(ix) **Similarly, in providing the undertaking, did Mr Tan Chee Khiong Danny explicitly state that any exit offer will have to be made jointly by him and VCAM? If not, has the board considered its options in safeguarding shareholder's interests by ensuring that a fair and reasonable exit offer is made?**

The company itself has stated that it is unable to make an exit offer to its shareholders, as under the Companies Act, this would be tantamount to a distribution to shareholders upon a liquidation.

(x) **What is the legal basis of the company's claim that making an exit offer is "tantamount to a distribution to shareholders upon a liquidation"?**

(xi) **Have the independent directors sought out professional legal advice to help the company come up with a way to make a fair and reasonable exit offer?**

(xii) **Who is the company's legal advisor, if any?**

(xiii) **Have the independent directors evaluated the company's options (which would include asset sale) so as to make a fair and reasonable exit offer to minority shareholders? If so, what were the options considered?**

(xiv) **Would the independent directors evaluate a selective capital reduction to cancel out the shares held by minority shareholders and update minority shareholders accordingly on its findings as soon as possible?**

Q3. On 31 August 2020, VCAM notified the company that it held 1,088,122,328 shares or 21.93% of the company's shares following the sale of 136,877,700 shares for $273,755.40 on 28 August 2020.

On 2 October 2020, VCAM notified the company that it had made a series of sale of shares between 31 Aug 2020 to 11 Sept 2020. These resulted in VCAM's stake being reduced from 1,080,671,428 shares (21.78%) to 977,310,228 shares (19.7%).

(i) **What is the current working relationship with VCAM, if any? Do the company, its directors and their associates have any other business dealings with VCAM?**

(ii) **Is VCAM a registered or a licensed fund management company with the Monetary Authority of Singapore?**

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(iii) **Has the company and the directors reviewed if there has been a gap in the disclosure by VCAM (as a substantial shareholder) as it had not accounted for the share sales from 1,088,122,328 (21.93%) to (1,080,671,428) 21.78%?** The last reported holding by VCAM before 2 October 2020 was 1,088,122,328 and it dropped to 1,080,671,428 shares in VCAM's 2 October announcement.

The substantial shareholder only notified the company on 2 October 2020 when its stake was sold down from 21.78% to 19.7% "**between 31 Aug 2020 to 11 Sept 2020**" (emphasis added).

(iv) **Can the board clarify if the disclosures made by VCAM is in line with the disclosure requirements under SFA?** The transactions made from 31 August 2020 to 11 September 2020 were only disclosed on 2 October 2020. This involved approximately 2.08% of the company's shares.

(v) **Are there requirements for the company to inform the relevant authorities about any non-compliance with the SFA?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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