

NOVO GROUP LTD.

Listing by Introduction

NOVO GROUP LTD.

新源控股有限公司*

(Registration No. 198902648H)

(Incorporated in Singapore with limited liability)

Stock Code: 1048

** For identification purpose only*

Sponsor



CIMB Securities (HK) Limited

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Novo Group Ltd. **新源控股有限公司***

(Registration No. 198902648H)
(Incorporated in Singapore with limited liability)

LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock Code: 1048

Sponsor



CIMB Securities (HK) Limited

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This document is published in connection with the listing by way of introduction on the Main Board of the Hong Kong Stock Exchange of the entire issued share capital of Novo Group Ltd. (“Company”) presently listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). This document contains particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to the Company and its subsidiaries.

This document does not constitute an offer of, nor is it calculated to invite offers for, the shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No shares in the share capital of the Company (“Shares”) will be allotted and issued in connection with, or pursuant to, the publication of this document.

Information regarding the proposed arrangement for the listing and registration of and for dealings and settlement of dealings in the Shares following the introduction of the Shares on the Hong Kong Stock Exchange is set out in the section headed “Listings, registration, dealings and settlement” in this document.

* *For identification purpose only*

EXPECTED TIMETABLE

Commencement of investor education activities as described in the section headed “Listings, registration, dealings and settlement” in this document, for example: As from 26 November 2010

(Note)

- (i) posting on the Company’s website of information factsheets about the Company, its historical financial information and the Share transfer procedures

- (ii) dissemination of electronic copies of this document through the websites of the Company, the Hong Kong Stock Exchange and the SGX-ST

- (iii) making available for collection of physical copies of this document

Daily announcement released on the Hong Kong Stock Exchange and the SGX-ST, disclosing previous day closing price of the Shares on the SGX-ST, and development and updates, if any, with regard to the bridging arrangements described in the section headed “Listings, registration, dealings and settlement” in this document 1 December, 2 December, 3 December 2010, and not later than 9:00 a.m. on 6 December 2010

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:30 a.m. on 6 December 2010

Note: Refers to Hong Kong local time and date, except as otherwise stated. Details of the Introduction are set out in the section headed “Information about this document and the Introduction” in this document. The Company will issue an announcement in Hong Kong to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) if there is any change in the above expected timetable of the Introduction.

CONTENTS

You should rely only on the information contained in this document to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by the Company, the Sponsor, any of their respective directors, or any other person or party involved in the Introduction.

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document and the appendices in its entirety before you decide to invest in the Shares.

Prospective investors and/or Shareholders should refer to the section headed “Summary of salient provisions of the laws of Singapore” as set out in Appendix IV to this document for details of the salient provisions of the laws of Singapore applicable to the Shareholders in Hong Kong.

Laws and regulations of Singapore differ in some respects from comparable laws and regulations of Hong Kong and prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal obligations in Singapore.

OVERVIEW

The Group is principally engaged in trading and distribution of steel products and their raw materials. In November 2009, the Group has expanded its product range to include coal.

The trading and distribution operation of the Group is separated into and operated under two business segments: (i) international trading; and (ii) domestic trading and distribution.

International trading

For international trading conducted by the Group, payments by the Group to its suppliers and payments by the customers to the Group are both principally made in US dollars regardless of where the goods are sourced from or sold to. L/C is frequently the agreed method of settlement for both sides. The goods are sourced from and sold to different places around the world (including the PRC).

The principal operating subsidiaries of the Company to perform international trading are Novo CPL and Novo HK where their principal places of operations are Singapore and Hong Kong respectively. These operating subsidiaries source steel products around the world (including the PRC) and then sell them to customers around the world (including the PRC).

In carrying out international trading, in general, customers purchase in large quantities and the Group’s buying orders are matched against selling orders on a back-to-back basis. Therefore, the Group does not keep inventories for international trading because it generally only confirms its buying orders with suppliers after it receives the confirmation of purchase from customers. It is the Group’s practice that the Group will make payment to suppliers after it receives L/C or deposit from the customers.

SUMMARY

Domestic trading and distribution

For domestic trading and distribution conducted by the Group, unlike that of international trading, payments of sales are made to the Group by the customers in local currencies of the places where the products are sold, in particular, Hong Kong dollars (where sales are made in Hong Kong) or RMB (where sales are made in the PRC) during the Track Record Period.

The principal operating subsidiaries of the Company to perform domestic trading and distribution are Novo Steel (HK) and Qianghua (Shanghai) where their principal places of operations are Hong Kong and the PRC respectively. During the Track Record Period, the Group's domestic trading and distribution were made to Hong Kong and the PRC only.

For domestic trading and distribution in the PRC, customers generally purchase in smaller quantities and expect much shorter delivery time. For this reason, the Group needs to keep inventories for domestic trading and distribution in the PRC. During the Track Record Period, the Group made purchases from regular and indent suppliers as well as from steel electronic trading platforms in the PRC to suit customers' needs.

For domestic trading and distribution in Hong Kong, the products ordered by customers are usually delivered to customers in batches upon their instructions. The products not yet delivered to customers are stored in the warehouses leased by the Group. The storage fees in warehouses and the insurance are paid by the Group and included in its distribution and selling expenses.

The table below sets forth the breakdown of the Group's revenue from international trading, domestic trading and distribution and provision of chartering services during the Track Record Period:

	FY2008		FY2009		FY2010		1Q FY2010		1Q FY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
International trading										
– North Asia	138,865,375	28.94	161,714,456	30.88	250,591,491	62.18	89,032,365	85.83	73,009,803	62.30
– South East Asia	157,444,568	32.80	183,198,579	34.98	111,540,263	27.67	13,577,882	13.09	25,337,402	21.62
– India and Middle East	81,714,526	17.02	80,246,634	15.32	–	–	–	–	3,383,499	2.89
– Others	101,945,405	21.24	98,393,085	18.79	102,040	0.03	–	–	379,792	0.32
	<u>479,969,874</u>	<u>100.00</u>	<u>523,552,754</u>	<u>99.97</u>	<u>362,233,794</u>	<u>89.88</u>	<u>102,610,247</u>	<u>98.92</u>	<u>102,110,496</u>	<u>87.13</u>
Domestic trading and distribution										
– North Asia	–	–	139,599	0.03	35,826,762	8.89	1,124,124	1.08	15,081,616	12.87
Provision of chartering services										
– South East Asia	–	–	–	–	4,962,864	1.23	–	–	–	–
Total:	<u>479,969,874</u>	<u>100.00</u>	<u>523,692,353</u>	<u>100.00</u>	<u>403,023,420</u>	<u>100.00</u>	<u>103,734,371</u>	<u>100.00</u>	<u>117,192,112</u>	<u>100.00</u>

SUMMARY

Customers

The principal market for the Group during the Track Record Period was the PRC, which sales to the PRC amounted to approximately US\$88.9 million, US\$155.5 million, US\$259.4 million and US\$73.3 million for each of FY2008, FY2009, FY2010 and 1QFY2011 respectively, representing approximately 19%, 30%, 64% and 63% of the total revenue of the Group.

The table below sets forth the breakdown of the Group's revenue by geographical location during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
North Asia (Note 1)	138,865,375	28.94	161,854,055	30.91	286,418,253	71.07	90,156,489	86.91	88,091,419	75.17
South East Asia (Note 2)	157,444,568	32.80	183,198,579	34.98	116,503,127	28.91	13,577,882	13.09	25,337,402	21.62
India and Middle East (Note 3)	81,714,526	17.02	80,246,634	15.32	–	–	–	–	3,383,499	2.89
Others (Note 4)	101,945,405	21.24	98,393,085	18.79	102,040	0.02	–	–	379,792	0.32
Total:	479,969,874	100.00	523,692,353	100.00	403,023,420	100.00	103,734,371	100.00	117,192,112	100.00

Notes:

1. North Asia principally includes Hong Kong, Macau, the PRC and Taiwan.
2. South East Asia principally includes Philippines, Singapore, Thailand and Vietnam.
3. Middle East principally includes Dubai and Jordan.
4. Others principally include Belgium, Brazil, Italy and Spain.

The Group's customers of steel products include steel mills, construction companies, trading companies (trading companies here refer to those customers who are not end-users of the products, including stockists, traders, importers and distributors) and customers of coal include power plant. The historical percentages of sales of steel products made by the Group to steel mills, construction companies and trading companies during the Track Record Period are as follows:

Financial year/period	Percentages of sales to stockists, traders, importers and distributors against total sales	Percentages of sales to steel mills against total sales	Percentages of sales to construction companies against total sales
	1QFY2011	69%	20%
FY2010	68%	27%	5%
FY2009	56%	35%	9%
FY2008	63%	36%	1%

SUMMARY

The major types of products purchased by trading companies were finished products and raw materials in FY2008; finished products, semi-finished products and raw materials in FY2009; raw materials and finished products in FY2010 and raw materials and finished products for 1QFY2011.

Suppliers

The Group's suppliers of steel products are iron ore mines, steel mills and other steel producing companies and suppliers of coal are coal mines. The Group has not entered into long term supply contracts with its suppliers. However, the Group has entered into some framework agreements with certain suppliers with a view to making purchases. The parties to such framework agreements have not expressly excluded the legally-binding effect of those framework agreements. In some of these framework agreements, the Group and the suppliers have agreed a target supply volume in one year. However, such target supply volume is only an indication of the sales volume and does not impose any minimum purchase obligation on the Group. The Group would not incur any contractual liability under such framework agreements even if such target volumes are not met. In FY2010 and 1QFY2011, the Group also purchased steel products by using derivative financial instruments provided by steel electronic trading platforms in the PRC to make up the deficiency of supply from regular and indent suppliers to maintain its inventory level for its domestic trading and distribution conducted in the PRC.

The Group sourced from 39, 61, 71 and 82 suppliers for each of FY2008, FY2009, FY2010 and 1QFY2011, respectively. The top five suppliers of the Group accounted for approximately 61.0%, 46.2%, 47.4% and 72.9% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011, respectively. The largest supplier accounted for approximately 26.0%, 19.9%, 10.9% and 27.7% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011, respectively.

Inventory management

For international trading, the Group does not keep inventories as its buying orders are generally matched against selling orders on a back-to-back basis. The Group generally only confirms its buying orders with suppliers after it receives the confirmation of purchase from customers.

For domestic trading and distribution in the PRC, the Group keeps inventories, regardless of whether or not it has obtained orders from customers, by making regular purchases from suppliers to suit customers' needs in relation to, among others, short delivery time. The Group also purchased steel products by using derivative financial instruments provided by steel electronic trading platforms in the PRC in FY2010 and 1QFY2011 to make up the deficiency of supply from regular and indent suppliers to maintain its inventory level for its domestic trading and distribution in the PRC. As at the Latest Practicable Date, the Group did not have any outstanding derivative financial instruments and the Directors confirm that they do not intend to enter into any derivative financial instruments in the foreseeable future.

SUMMARY

For domestic trading and distribution in Hong Kong, the Group keeps inventories as the Group purchases products based on customers' confirmed orders while such products will be delivered to customers in batches with selling prices already fixed in such customers' orders upon their instructions. The products not yet delivered to customers are stored in the warehouses leased by the Group. The storage fees of warehouses and the insurance are paid by the Group and included in its distribution and selling expenses.

The Group did not have inventories as at 30 April 2008 and 2009 and had inventories of approximately US\$26.5 million and US\$25.3 million as at 30 April 2010 and 31 July 2010 respectively, representing approximately 29.1% and 27.2% of the total assets of the Group as at the relevant balance sheet date.

In FY2009, the Group had a small amount of revenue from domestic trading and distribution. However, the Group did not have inventories as at 30 April 2009 since Qianghua (Shanghai) just begun trading in small quantities in late FY2009 and the Group only started to keep inventories for domestic trading and distribution during FY2010.

Please refer to the paragraph headed "The Group faces inventory liquidity risks in its domestic trading and distribution in the PRC" in the section headed "Risk factors" and the paragraph headed "Inventory management" in the section headed "Business" of this document for more details in relation to the Group's inventory.

Further analysis on the Group's revenue

The table below sets forth the breakdown of the Group's revenue by nature of the income during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
Sales of steel products	479,969,874	100.00	523,692,353	100.00	388,087,008	96.29	103,734,371	100.00	113,768,086	97.08
Sales of coal	-	-	-	-	9,973,548	2.48	-	-	3,424,026	2.92
Provision of chartering services	-	-	-	-	4,962,864	1.23	-	-	-	-
Total:	<u>479,969,874</u>	<u>100.00</u>	<u>523,692,353</u>	<u>100.00</u>	<u>403,023,420</u>	<u>100.00</u>	<u>103,734,371</u>	<u>100.00</u>	<u>117,192,112</u>	<u>100.00</u>

SUMMARY

The table below sets forth the breakdown of the Group's revenue by product type during the Track Record Period:

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Sales of steel products and coal					
Raw materials	88,862,275	113,739,592	239,219,724	81,053,703	71,742,621
Semi-finished products	59,360,898	143,810,577	60,276,455	–	15,160,736
Finished products	331,746,701	255,171,501	97,798,123	22,680,668	29,908,963
Others (<i>Note</i>)	–	10,970,683	766,254	–	379,792
Provision of chartering services	–	–	4,962,864	–	–
	<u>–</u>	<u>–</u>	<u>4,962,864</u>	<u>–</u>	<u>–</u>
Total:	<u>479,969,874</u>	<u>523,692,353</u>	<u>403,023,420</u>	<u>103,734,371</u>	<u>117,192,112</u>

Note: Others include special and coated products.

During FY2008 and FY2009, the Group's revenue only comprised of sales of steel products. The Group commenced to engage in the trading of coal and the provision of chartering services during FY2010 and accordingly, the Group's revenue for FY2010 comprised of sales of steel products, sales of coal and provision of chartering services. During the Track Record Period, sales of steel products accounted for 100%, 100%, approximately 96.3% and 97.1% of the Group's revenue for FY2008, FY2009, FY2010 and 1QFY2011 respectively. During FY2010, apart from sales of steel products, the Group was also engaged in sales of coal and provision of chartering services, which in aggregate, accounted for the remaining approximately 3.7% of the Group's revenue for that year. In view that the relevant time charter agreement expired in April 2010 and the then increase in chartering rate, the Group has not chartered new vessels for the time being. During 1QFY2011, coal trading accounted for approximately 2.9% of the Group's revenue. The Directors expect that the revenue from coal trading and provision of chartering service will not contribute significantly to the Group's revenue in the near future.

SUMMARY

During the Track Record Period, the Group's revenue fluctuated. The Group recorded revenue of approximately US\$480.0 million for FY2008, approximately US\$523.7 million for FY2009, approximately US\$403.0 million for FY2010 and approximately US\$117.2 million for 1QFY2011. The Board attributed the increase in revenue for FY2009 mainly to the increase of total tonnage of steel products sold from approximately 1.1 million tonnes in FY2008 to 1.9 million tonnes in FY2009, representing an increment of approximately 81%. Despite the increase in tonnage of steel products sold in FY2010, the revenue in FY2010 dropped which was mainly attributable to the plunge of steel price after the global financial crisis, European sovereign debt problem and the change in product mix. The steel product price dropped significantly after mid 2008 and reached the lowest point in late 2008. For example, the price of cold rolled coils and hot rolled coils in Shanghai dropped from RMB7,250 and RMB5,980 per tonne in June 2008 to RMB3,925 and RMB2,925 per tonne respectively in November 2008.

Contingent liabilities

The Group's contingent liabilities during the Track Record Period comprised discounted bills with recourse supported by letters of credit ("Discounted Bill Liability") and corporate guarantees to banks in respect of banking facilities of members of the Group ("Guarantee Liability"). As at 30 April 2008, the Discounted Bill Liability amounted to approximately US\$56.6 million and there was no Guarantee Liability. As at 30 April 2009, the Discounted Bill Liability amounted to approximately US\$48.4 million while the Guarantee Liability amounted to US\$340 million. As at 30 April 2010, the Discounted Bill Liability amounted to approximately US\$20.2 million while the Guarantee Liability amounted to approximately US\$309.8 million. As at 31 July 2010, there was no Discounted Bill Liability while the Guarantee Liability amounted to approximately US\$338.0 million.

COMPETITIVE STRENGTHS

The Directors consider the following to be the core competitive strengths of the Group:

- Possession of an experienced management team
- Relationships with banks for obtaining continual banking facilities from banks
- Enjoying economies of scale by making purchases in bulk
- Diversity of steel products offered to customers

SUMMARY

FUTURE PLANS

The Group has the following expansion plans:

(A) Engage in steel processing business in the PRC

Mode of investment	The project will be undertaken by Novo (TJ), an indirect wholly-owned subsidiary of the Company	
Location	Tianjin Economic Technological Development Area Western District	
Area of land for construction of plant	25,000 square meters	
Type of plant to be constructed	Steel processing centre for cutting, slitting and packing for distribution of steel products	
Planned production capacity	100,000 tonnes hot-rolled coil and 100,000 tonnes cold-rolled coil annually	
Capital expenditures used and to be used	Used up to the Latest Practicable Date	Approximately US\$2,945,000
	Planned to be used from the Latest Practicable Date to 30 November 2011	Approximately US\$1,366,000
	Total:	Approximately US\$4,311,000
Funding of capital expenditure	Internal resources	
Approvals required	Approvals for the construction of the steel processing plant, including a Construction Permit and a registration certificate of construction project quality supervision issued by the Construction Project Administration Center of Tianjin Economic Technological Development Area in respect of phase 1 construction of steel processing plant which had been obtained and the inspection and acceptance of the construction project after construction work is completed	

SUMMARY

Commencement date of construction 9 July 2010

Expected date of completion of construction First half of 2011

Expected date of commencement of operation End of 2011

(B) Engage in scrap steel processing business in the PRC

Mode of investment The Group plans to acquire up to 60% of equity interest in a company which will hold and operate the project

Location Along Yangtze River coastal line in Taizhou, Jiangsu Province

Area of land for construction of plant 500 meters long Yangtze River coastal line together with 500 mu (approximately 333,000 square meters) surrounding land

Type of plant to be constructed Scrap steel processing plant and distribution centre, and steel logistics and distribution plant for scrap processing, cutting and slitting of steel products, two public piers

Planned annual production capacity 1 million tonnes of steel scraps/products to be processed by scrap steel processing plant and steel logistics and distribution plants and steel products to be transported at the two public piers

Total registered capital US\$30 million

SUMMARY

Capital expenditure used and to be used	Used up to the Latest Practicable Date	Nil
	Planned to be used	Approximately RMB200 million (which is expected to be incurred after 30 November 2011)
	Total:	Approximately RMB200 million
Funding of capital expenditure	Internal resources and bank borrowing	
Approvals required	Relevant governmental approvals or licenses or permits, including business license, approval certificate of foreign invested enterprise, foreign exchange registration certificate, tax registration certificate, registration certificate for foreign trade operators, automatic import/export permit, and approvals from National Development and Reform Commission's local office and local environmental protection bureau	
Expected date of commencement of construction	Early 2012	
Expected date of completion of construction	2012	
Expected date of commencement of operation	2012	

(C) Engage in warehousing business in the PRC

Leveraging on the Group's experience in trading and logistics arrangement in steel products, the Group plans to participate in minerals logistics and warehousing business in the PRC. The Group is undertaking feasibility study in the project and is only at a preliminary stage in identifying possible locations in the PRC for the warehousing business.

Further details of the above expansion plans are set out in the section headed "Future plans" in this document.

SUMMARY

EXTRAORDINARY GENERAL MEETING HELD ON 29 OCTOBER 2010

At the EGM held on 29 October 2010, the following proposals were approved:

- (i) the proposed Introduction;
- (ii) the proposed amendments to the Articles;
- (iii) the proposed termination of the Novo ESOS and the Novo PSP;
- (iv) the Share Consolidation; and
- (v) the proposed adoption of Chinese name “新源控股有限公司” as the Company’s secondary name.

The Company published an announcement in relation to the results of the EGM on the SGX-ST on 29 October 2010 that all EGM Matters as described above were approved by the Shareholders.

Timetable for the EGM Matters

Shareholders’ approvals for the EGM Matters were obtained at the EGM on 29 October 2010, and the timetable and various effective dates of the matters described above are as follows:

(i) The proposed Introduction

The Introduction will proceed in the manner as described in this document. Please refer to the section headed “Timetable” in this document for further information.

(ii) The proposed amendments to the Articles

The Articles are amended to reflect and take into account the compliance requirements of the joint policy statement regarding the listing of overseas companies jointly issued by the Hong Kong Stock Exchange and the SFC on 7 March 2007 (“Joint Policy Statement”). The Joint Policy Statement draws references to certain aspects of Hong Kong laws and prescribes various mandatory requirements in relation to the standards of shareholders protection to be included in the articles of association or equivalent document of Hong Kong listed issuers which are incorporated in Hong Kong or other jurisdiction with Singapore included. Details of the amendments to the Articles are set out in the EGM Circular.

The amendments to the Articles will take effect on the Listing Date.

(iii) The proposed termination of the Novo ESOS and the Novo PSP

The terms and provisions of the Novo ESOS and the Novo PSP are inconsistent with the requirement of the Listing Rules, which prescribe various mandatory requirements to the share option scheme of Hong Kong listed issuers. In view of the proposed Introduction, the Company has proposed to terminate the Novo ESOS and the Novo PSP.

SUMMARY

As at the Latest Practicable Date, no option had been granted under the Novo ESOS and the Novo PSP.

The termination of the Novo ESOS and the Novo PSP will take effect from the Listing Date. No further options will be issued under the Novo ESOS and no contingent award of Shares under the Novo PSP will be granted upon its termination.

(iv) The Share Consolidation

In connection with the proposed Introduction, the Company carried out a share consolidation pursuant to which the Company consolidated every four Pre-consolidated Shares into one Existing Share which became effective on 15 November 2010.

Each Existing Share ranks pari passu in all respects with the Pre-consolidated Shares and with each other, and is traded in board lots of 1,000 Existing Shares.

Before the Share Consolidation became effective, the Company had 683,219,640 Pre-consolidated Shares in issue. Following the completion of the Share Consolidation and as at the Latest Practicable Date, the Company had 170,804,269 Existing Shares in issue.

(v) The proposed adoption of the Chinese name “新源控股有限公司” as the Company’s secondary name

The Company has proposed to adopt the Chinese Name “新源控股有限公司” as its secondary name. As one of the Group’s principal operating places is Hong Kong, adopting the Chinese name as its secondary name will enable the Group to raise its profile and enhance its brand image and recognition in Hong Kong, in line with its strategy to position itself as one of the leading players in the international trading industry of various steel products and raw materials in the Asia Pacific region.

The adoption of the Chinese Name “新源控股有限公司” as the Company’s secondary name took effect from the date of the EGM being 29 October 2010.

SHARE CONSOLIDATION

As more particularly stated in the paragraph headed “Extraordinary general meeting held on 29 October 2010” above, in connection with the proposed Introduction, the Company carried out a share consolidation which was duly approved by the Shareholders at the EGM held on 29 October 2010 and became effective on 15 November 2010 and by which every four Pre-consolidated Shares were consolidated into one Existing Share. Before the Share Consolidation, the Company had 683,219,640 Pre-consolidated Shares in issue. Following the completion of the Share Consolidation and as at the Latest Practicable Date, the Company had 170,804,269 Existing Shares in issue.

SUMMARY

	FY2008 US\$	FY2009 US\$	FY2010 US\$	1QFY2010 US\$ (Unaudited)	1QFY2011 US\$
Profit for the year/period	11,610,194	1,566,788	12,016,331	3,934,984	1,574,539
Other comprehensive (expenses)/income					
Exchange differences on translation of the Group's overseas operations	(694)	(2,817)	4,030	(1,539)	41,453
Other comprehensive (expenses)/income for the year/period, net of tax	(694)	(2,817)	4,030	(1,539)	41,453
Total comprehensive income for the year/period	<u>11,609,500</u>	<u>1,563,971</u>	<u>12,020,361</u>	<u>3,933,445</u>	<u>1,615,992</u>
Attributable to:					
Equity holders of the Company	11,609,462	1,586,984	11,778,174	3,916,386	1,534,438
Minority interests	38	(23,013)	242,187	17,059	81,554
Total comprehensive income for the year/period	<u>11,609,500</u>	<u>1,563,971</u>	<u>12,020,361</u>	<u>3,933,445</u>	<u>1,615,992</u>

During the Track Record Period, the Group's gross profit margin was in the range of approximately 5.7% to approximately 13.8%. The Directors attribute the fluctuation in the gross profit margin principally to the sharp plunge in prices of steel products following the global financial crisis since late 2008 and the subsequent bounce back. Shortly after the commencement of the global financial crisis in late 2008, the prices of the steel products experienced a sharp plunge. A number of the Group's customers, after the occurrence of the global financial crisis and as a result of the sharp decrease in price, re-negotiated the contract terms with the Group. With a view to maintain a good relationship with such customers and to sell the products which were purchased by the Group at a high price prior to such sharp plunge of price at the then best available price, the Group reduced its profit margin in certain sale transactions after the global financial crisis in FY2009, thus reducing the overall gross profit margin for FY2009. The Group's gross profit margin in 1QFY2011 was reduced by 2.8 percentage point when compared with that for 1QFY2010. Such decrease was mainly due to the decrease in the gross profit margin of iron ores sold by the Group during the period. A more detailed discussion of the Group's gross profit and gross profit margin is set out in the section headed "Financial information" of this document.

SUMMARY

The Group's net profit attributable to equity holders of the Company for FY2008, FY2009, FY2010 and 1QFY2011 was approximately US\$11.6 million, approximately US\$1.6 million, approximately US\$12.0 million and approximately US\$1.6 million respectively, representing a net profit margin of approximately 2.4%, approximately 0.3%, approximately 3.0% and approximately 1.3% respectively. The sharp decrease of net profit and net profit margin for FY2009 was principally due to the decrease in gross profit in that year. The fluctuation of the Group's net profit margin during FY2008, FY2009, FY2010 and 1QFY2011 was in line with that of the Group's gross profit margin during the relevant period.

Possible impact of certain non-recurring expenses to financial performance

The estimated expenses in relation to the Introduction are approximately US\$1,400,000, which are non-recurring expenses. Such expenses are to be charged to the consolidated income statements of the Group for the three months ending 31 January 2011.

RISK FACTORS

Details of the risks involving the Group's operation, the industry in which the Group operates and the dual primary listing are set out in the section headed "Risk Factors" in this document. These risks can be broadly classified as follows:

Risks relating to the Group's business

- The Group is reliant on banking facilities to finance trading activities
- The Group had net cash used in operating activities during the Track Record Period
- The Group derived a significant portion of revenue from the five largest customers
- The Group is reliant on a small number of suppliers for substantial portion of supplies
- The Group's major customers or suppliers varied from year to year during the Track Record Period
- The Group's profit margins fluctuated during the Track Record Period
- The Group's financial performance may be affected by certain non-recurring expenses in relation to the Introduction
- The Group faces risk of default by its suppliers and/or customers
- The Group faces inventory liquidity risks in its domestic trading and distribution in the PRC
- Any adverse development in steel related sectors in the PRC may have adverse impact to the Group

SUMMARY

- Any austerity measures on the property sector launched by the PRC government might have adverse effect on the Group's business and operations
- The Group may not be able to effectively manage its expansion and growth
- The Group may not be able to realise future business plans
- The Group is reliant on key management personnel
- The Group deals with high value contracts
- The Group faces risks in relation to the possible impact caused by future financial crisis
- The Group faces market competition
- Some of the lease agreements of the Group's leased properties in the PRC have not been registered with the relevant authorities

Risks relating to the Group's expansion plans

- Additional competition
- Increase in prices of steel and principal raw materials
- Pressure on working capital requirement
- Relationships with customers and suppliers
- Environmental laws and regulations in the PRC

Risks relating to the Group's industry

- Cyclical nature of the steel industry
- Seasonal nature of the coal industry

Risks relating to the PRC

- Political, economic and social consideration
- Changes in the PRC legal system

SUMMARY

Risks relating to the dual primary listing of the Company

- There are different characteristics between the Singapore stock market and the Hong Kong stock market
- The Company, being incorporated in Singapore and listed on the SGX-ST, is concurrently subject to, amongst others, the Singapore Companies Act, the Listing Manual, the Securities and Futures Act and the Singapore Code
- Certain provisions of the Singapore laws apply to the Shareholders even though their Shares are only registered with the share register in Hong Kong
- Shareholders should note the possible taxation on disposal of the Shares under the Singapore laws
- There may be limited liquidity in the Shares and volatility in the price of the Shares on the Hong Kong Stock Exchange and the effectiveness of the bridging arrangements is subject to limitations
- Dividends declared by the Company in the past may not be indicative of the Company's dividend policy in the future

Risks relating to statements made in this document

- Statistics and census figures may not be accurate
- Forward-looking information may prove inaccurate

TRADING PRICES AND VOLUME ON SGX-ST

The following table sets forth the reported high, low, month/period end and monthly/period average of the closing trading prices of the Shares on SGX-ST from 28 April 2008 (being the date when the Shares commenced trading on the main board of SGX-ST) until the Latest Practicable Date. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Listing. Please refer to the section headed “Risk factors – Risks relating to the dual primary listing of the Company – There are different characteristics between the Singapore stock market and the Hong Kong stock market” in this document.

SUMMARY

The following table sets forth the average daily trading volume and turnover of the Shares of each month/period from 28 April 2008 (being the date when the Shares commenced trading on the SGX-ST) until the Latest Practicable Date.

	Existing Shares (Note)	
	Average daily volume	Average daily turnover (S\$)
2008		
April (from 28 April)	1,671,917	1,435,342
May	261,263	182,574
June	34,237	22,572
July	6,250	3,846
August	12,000	7,681
September	15,917	7,859
October	27,389	8,178
November	28,472	8,156
December	173,426	88,507
2009		
January	228,885	118,473
February	39,893	20,972
March	83,400	35,433
April	9,536	3,761
May	37,688	15,634
June	177,932	83,640
July	57,206	28,464
August	362,547	185,338
September	84,875	42,230
October	42,339	20,263
November	194,354	100,934
December	67,691	43,682
2010		
January	2,831,963	2,739,344
February	1,320,472	1,152,129
March	2,131,272	2,041,095
April	1,801,012	1,721,562
May	363,713	281,868
June	546,136	441,839
July	164,750	130,072
August	359,048	282,577
September	338,798	263,233
October	178,333	133,981
November (up to the Latest Practicable Date)	92,308	64,365

Source: Bloomberg

SUMMARY

Note: The EGM held on 29 October 2010 approved, among other matters, the Share Consolidation which became effective on 15 November 2010, under which, every four Pre-consolidated Shares were consolidated into one Existing Share. The daily trading volume of each month of the Shares as adjusted as a result of the Share Consolidation (other than closing trading volumes of the Shares recorded on or after 15 November 2010) are set out above for illustrative purpose.

DIVIDEND POLICY

The payment and the amount of dividends will be at the discretion of the Directors and will depend on the Group's future operations and earnings, capital requirements and surplus, general financial conditions and other factors which the Directors consider to be relevant.

The Group currently does not have a fixed dividend policy. While the Group intends to make dividend payment in the future, the form, frequency and amount of future dividends on the Shares will depend on the level of cash and retained earnings, the results of operations, the capital expenditure requirements, the expansion and/or investment plans and other factors that the Directors may deem appropriate. There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future.

Dividend declared during FY2008 amounted to US\$4 million. Dividend declared for FY2009 amounted to approximately US\$2.1 million and such dividend was paid during FY2010. During FY2010, the Company declared and paid an interim dividend of approximately US\$2.1 million and a final dividend of approximately US\$2.5 million was also declared, which was approved at the annual general meeting of the Company held on 27 August 2010. As at the Latest Practicable Date, all of the abovementioned dividends have been fully paid.

As advised by the Company's legal advisers as to Singapore laws, PRC laws, UAE laws and India laws, dividends of the Company's subsidiaries incorporated or established in these jurisdictions shall only be paid out of the companies' profits. In particular, for the Group's subsidiaries established under PRC laws, the dividends shall only be paid out of the accumulated distributable profits after recovering its accumulated losses and provision for the various statutorily required reserve funds.

BRIDGING ARRANGEMENTS

In connection with the Introduction, the Bridging Dealer has been appointed to implement the bridging arrangements described in the paragraph headed "6. Bridging arrangements" in the section headed "Listings, registration, dealings and settlement" in this document. The bridging arrangements are arbitrage activities and are expected to contribute to the liquidity of trading in the Shares on the Hong Kong market upon the Introduction as well as to reduce potential material divergence between Share prices on the Hong Kong and the Singapore markets.

Prospective investors should refer to the paragraph headed "6. Bridging arrangements" in the section headed "Listings, registration, dealings and settlement" in this document for further details.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the following meanings. Certain other terms are explained in the section headed “Glossary of technical terms” in this document.

“1QFY2010”	the three months ended 31 July 2009
“1QFY2011”	the three months ended 31 July 2010
“affiliate”	any person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
“Articles” or “Articles of Association”	the articles of association of the Company as amended from time to time, a summary of which is set out in Appendix III to this document
“Audit Committee”	the audit committee established by the Board
“Board” or “Board of Directors”	the board of Directors
“Bridging Dealer”	BOCI Securities Limited (and/or its affiliates authorised to carry out arbitrage activities)
“Bridging Period”	the 30-day period from and including the Listing Date
“Bridging Period End Date”	the last day of the Bridging Period, currently being 4 January 2011
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDP”	The Central Depository (Pte) Limited
“chief executive”	the chief executive (as defined in the SFO) of the Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company”	Novo Group Ltd., a limited liability company incorporated in Singapore with limited liability on 29 June 1989
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the case of the Company, means New Page, Mr. Yu and Mr. Chow
“Director(s)”	the director(s) of the Company
“DMCC”	Dubai Multi Commodities Centre
“EBP”	Eastern Bulk Pte. Ltd., a company incorporated in Singapore with limited liability whose principal business is time chartering and voyage chartering and owned as to 70% by the Group and 30% by Oscar Maritime International Limited

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company held on 29 October 2010
“EGM Circular”	the circular of the Company dated 6 October 2010
“EGM Matters”	the resolutions passed at the EGM involving the proposed Introduction; the proposed amendments to the Articles; the proposed termination of the Novo ESOS and the Novo PSP; the Share Consolidation; and the proposed adoption of Chinese name “新源控股有限公司” as the Company’s secondary name, details of which are set out in the EGM Circular
“Existing Share(s)”	ordinary share(s) in the share capital of the Company after the Share Consolidation becoming effective
“FY2008”	the financial year ended 30 April 2008
“FY2009”	the financial year ended 30 April 2009
“FY2010”	the financial year ended 30 April 2010
“Global Wealth TL”	Global Wealth Trading Ltd., a company incorporated in BVI with limited liability whose principal business is investment holding and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries or, where the context so requires in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Branch Registrar”	Tricor Investor Services Limited
“Hong Kong Branch Share Register”	the Company’s branch register of members in Hong Kong operated by the Hong Kong Branch Registrar
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“IE Singapore”	International Enterprise Singapore
“IFRS”	International Financial Reporting Standards promulgated by the International Accounting Standards Board, including the International Accounting Standards and their interpretations
“independent third party”	an individual or a company who or which is not connected with (within the meaning of the Listing Rules) the Company and its connected persons
“INR”	Indian National Rupee, the lawful currency of India
“Introduction”	the listing of the entire issued share capital of the Company on the Main Board of the Hong Kong Stock Exchange by way of introduction pursuant to the Listing Rules
“Latest Practicable Date”	19 November 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about 6 December 2010, on which the Shares are listed and from which dealings in the Shares first commence on the Hong Kong Stock Exchange

DEFINITIONS

“Listing Manual”	listing rules of the SGX-ST which set out the requirements applicable to issuers relating to, inter alia, (i) the manner in which securities are to be offered; and (ii) the continuing obligations of issuers (as amended, supplemented or otherwise modified from time to time)
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market operated by the Hong Kong Stock Exchange
“Memorandum”	the memorandum of association of the Company as amended from time to time, a summary of which is set out in Appendix III to this document
“Mr. Chow”	Mr. Chow Kin Wa, an executive Director and the chief executive officer of the Company
“Mr. Lin”	Mr. Lin Xiutong, a director and a shareholder of Iron And Steel Resources Limited, which ceased to be a subsidiary of the Group after 30 April 2010
“Mr. Yu”	Mr. Yu Wing Keung, Dicky, an executive Director and the chairman of the Company
“New Page”	New Page Investments Limited, a company incorporated in BVI and owned as to 70% by Mr. Yu and 30% by Mr. Chow
“Nominating Committee”	the nomination committee established by the Board
“Nova MBL”	Nova Maritime (B.V.I.) Limited, a company incorporated in BVI with limited liability whose principal business is shipping brokerage and a wholly-owned subsidiary of the Company

DEFINITIONS

“Novo BVI”	Novo Commodities Limited, a company incorporated in BVI with limited liability whose principal business is trading and investment and a wholly-owned subsidiary of the Company
“Novo CPL”	Novo Commodities Pte. Ltd., a company incorporated in Singapore with limited liability whose principal business is trading and a wholly-owned subsidiary of the Company
“Novo CPL BVI”	Novo Commodities PTE Ltd, a company incorporated in BVI with limited liability whose principal business is investment holding and an indirect wholly-owned subsidiary of the Company
“Novo ESOS”	the employee share option scheme known as the “Novo Employee Share Option Scheme” approved and adopted by the Shareholders at an extraordinary general meeting of the Company held on 4 November 2008
“Novo HK”	Novo Commodities Limited (新源商品有限公司), a company incorporated in Hong Kong with limited liability whose principal business is trading and investment and a wholly-owned subsidiary of the Company
“Novo IL”	Novo Investment Limited, a company incorporated in Hong Kong with limited liability whose principal business is consultancy services and an indirect wholly-owned subsidiary of the Company
“Novo Overseas”	Novo Overseas Holdings Pte. Ltd., formerly known as Nova Shipping Pte. Ltd., a company incorporated in Singapore with limited liability whose principal business is investment holding and a wholly-owned subsidiary of the Company
“Novo PSP”	the employee performance share plan known as the “Novo Performance Share Plan” approved and adopted by the Shareholders at an extraordinary general meeting of the Company held on 4 November 2008
“Novo SL”	Novo Shipping Ltd, a company incorporated in BVI with limited liability whose principal business is trading and investment and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Novo Steel (HK)”	Novo Steel (HK) Limited (新源鋼鐵(香港)有限公司), a company incorporated in Hong Kong with limited liability whose principal business is trading and investment and owned as to 51% by the Group and 49% by Thomson Steel Company Limited
“Novo (TJ)”	新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited), a wholly foreign owned enterprise established in the PRC whose principal business is processing and sales in steel and metal products and an indirect wholly-owned subsidiary of the Company
“Pre-consolidated Share(s)”	the ordinary share(s) in the share capital of the Company before the Share Consolidation becoming effective
“Qianghua (Shanghai)”	上海強華貿易有限公司 (unofficial translation as Qiang Hua (Shanghai) Trading Limited), a sino-foreign joint venture enterprise established in the PRC whose principal business is trading and investment and owned as to 80% by the Group and 20% by Shanghai CRQ
“Remuneration Committee”	the remuneration committee established by the Board
“Reverse Acquisition”	the acquisition of the Group by the Company which was completed in March 2008, details of which are set out in the section headed “History and corporate structure” in this document
“RMB” or “Renminbi”	the lawful currency of China
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“SFRS”	Singapore Financial Reporting Standards prescribed by the Council on Corporate Disclosure and Governance in Singapore
“SGX-ST”	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shanghai CRQ”	上海誠睿勤實業有限公司 (unofficial translation as Shanghai Cheng Rui Qin Industry Co., Ltd.), a limited liability company incorporated in the PRC and owned as to 80% by Mr. Ji Naxin and 20% by Madam Pan Lin, the spouse of Mr. Ji Naxin
“Share Consolidation”	the consolidation of every four Pre-consolidated Shares held by the Shareholders into one Existing Share, which was approved at the EGM on 29 October 2010 and effective on 15 November 2010
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the Existing Shares (after the Share Consolidation becoming effective) and/or the Pre-consolidated Shares (before the Share Consolidation becoming effective)
“Singapore Code”	Singapore Code on Takeovers and Mergers
“Singapore Companies Act”	the Companies Act (Chapter 50) of Singapore, as amended, supplemented or otherwise modified from time to time
“Singapore Principal Registrar”	Boardroom Corporate & Advisory Services Pte Ltd
“Singapore Principal Share Register”	the Company’s principal register of members in Singapore operated by the Singapore Principal Registrar
“Sponsor” or “CIMB”	CIMB Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the sponsor to the Company in relation to the Introduction
“Stock Borrowing Agreement”	the stock borrowing agreement dated 19 November 2010 entered into between New Page and the Bridging Dealer as specifically described in paragraph headed “Bridging arrangements” in the section headed “Listings, registration, dealings and settlement” in this document

DEFINITIONS

“Stock Borrowing Arrangement”	the Shares borrowing arrangement as contemplated under the Stock Borrowing Agreement as specifically described in paragraph headed “Bridging arrangements” in the section headed “Listings, registration, dealings and settlement” in this document
“Stock Sale and Purchase Agreement”	the stock sale and purchase agreement dated 19 November 2010 entered into between New Page and the Bridging Dealer as specifically described in paragraph headed “Bridging arrangements” in the section headed “Listings, registration, dealings and settlement” in this document
“Taizhou Long Feng”	龍豐鋼鐵物流（泰州）有限公司（unofficial English translation as Long Feng Steel and Logistics (Taizhou) Co., Limited)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the three financial years ended 30 April 2010 plus 1QFY2011
“UAE”	United Arab Emirates
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollars” or “USD”	United States dollars, the lawful currency of the United States
“Xinghua BVI”	Xinghua Holdings Limited, a company incorporated in BVI with limited liability whose principal business is investment holding and an indirect wholly-owned subsidiary of the Company
“Xintong (Taizhou)”	新通(泰州)金屬製品有限公司（unofficial English translation as Xintong (Taizhou) Steel Products Limited), which was a subsidiary of the Company prior to April 2010

In this document, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

DEFINITIONS

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this document, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “” and Chinese translation of company names in English which are marked with “*” are for identification purpose only.*

Unless otherwise indicated, all financial data, whether presented on a consolidated basis or by segment, is presented net of inter-segment transactions. (i.e., inter-segment and other intercompany transactions have been eliminated.)

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanation of certain terms used in this document as they relate to the Company and as they are used in this document in connection with the Group and its business. These terms and their given meanings may not correspond to standard industry meaning or usage.

“billet”	a solid semi-finished round or square product that is subject to further hot rolling so as to be made into “profiles” such as beams, channels, angles and flats, and bars such as deformed bars, round bars and wire rods, all of which are essential construction and fabrication materials
“blast furnace”	a vertical furnace, using coke as the primary fuel, with a round cross-section, which is the most common furnace currently used for smelting iron
“CFR”	cost and freight, which means that the seller delivers when goods pass the ship’s rail in the port of shipment and the seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer
“channel”	a hot rolled structural shape that looks like “[”
“coated steel”	steel which is coated with other materials to help prevent corrosion and usually refers to steel products coated with zinc, tin, aluminium and/or pre-painted colour
“cold rolled coil”	a product produced from hot rolled descaled (pickled) coils by cold reducing to the desired thickness, generally to be followed by annealing and temper rolling, which are used extensively in the automobile industry and household appliances
“cold rolled sheet”	a product cut from cold rolled coil into desired length. If the sheet is not annealed after cold reduction it is known as full hard
“continuous casting”	the process whereby molten steel is continuously cast into steel of specific cross-sectional shapes and dimensions by a continuous steel casting machine

GLOSSARY OF TECHNICAL TERMS

“converter furnace”	a furnace for smelting steel, utilising blown oxygen, which is the most common furnace currently used for smelting steel
“CQD”	customary Quick Despatch which means unfixed laytime and there would be no demurrage and despatch to be incurred. In this term, shipper in loading port and receiver in discharge port must endeavour their best to load or discharge the cargo respectively as fast as possible and in accordance with the load/discharge port customary practices. If the shipper or receiver can arrange the cargo and/or documents prior to vessel’s arrival in port, the shipper or receiver shall not be responsible for any time loss incurred by the vessel
“deformed bar”	steel product which is manufactured from the process of hot rolling and widely used in the construction industry, and is usually named reinforced concrete deformed steel bars, or known as reinforcing bar, or rebar
“FOB”	free on board, which means that the seller fulfils his obligation to deliver when the goods pass over the ship’s rail at the named port of shipment, the buyer has to bear all costs and risks of loss of or damage to the goods from that point and the seller is required to clear the goods for export
“hot rolled coil”	steel product which is produced by the process of hot rolling in varying thicknesses according to specification, and for storage and transportation purpose, is turned into coil form before further shearing into plates and strips for the fabrication industry
“hot rolled plate”	steel plate which is produced by the process of hot rolling, is produced in varying thickness and sizes according to specification, and is widely used in construction and shipbuilding industry
“L/C”	letter of credit, a document issued mostly by a financial institution which provides payment undertaking to a beneficiary against complying documents as stated therein

GLOSSARY OF TECHNICAL TERMS

“merchant bar”	a group of commodity steel shapes that require more specialized processing than reinforcing bar and consist of rounds, squares, flats, strips, angles, and channels, which fabricators, steel service centres and manufacturers cut, bend and shape into products
“molten iron”	liquid pig iron
“molten steel”	liquid steel
“pig iron”	the iron material extracted from the sintered ores in the iron smelting process
“slab”	semi-finished products for further hot rolling process to steel coils and plates
“smelting”	the process whereby the raw materials are processed into molten iron or steel through a series of physical and chemical reactions in a blast furnace, an open hearth furnace, a converter or an electric furnace
“square bar”	a square piece of solid steel which is usually 6 inches or less in width
“steel rolling”	the process whereby a rolling mill is used to turn semi-finished products from the steel smelting process (billets) into steel products of various kinds
“steel strip”	steel product which is produced from steel billets and/or slabs being rolled into strips and coiled by a coiler
“wire rod”	steel product which is manufactured from the process of hot rolling and are used in the construction industry and can also be used for further process to produce nail and wire

RISK FACTORS

You should carefully consider all of the information set out in this document, including the risks and uncertainties described below. You should pay particular attention to the fact that the Company is incorporated in Singapore and that some of the Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. The Group's business, financial condition or results of operations could be affected materially and adversely by any of these risks. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial could also harm the business, financial condition or results of operations of the Group.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group is reliant on banking facilities to finance trading activities

As commodities trading is a capital intensive business, the Group is reliant on banking facilities to finance the purchase of steel products and their raw materials and coal for trading activities. During the Track Record Period, the banking facilities available to the Group were mainly for issuance of L/C on a back-to-back basis, while other facilities used by the Group include freight financing and prepayment financing. Details of the banking facilities as at 30 April 2008, 30 April 2009, 30 April 2010, 31 July 2010 and as at 30 September 2010 are as follows:

	Principal amount of banking facilities available to the Group (A) US\$	Amount utilised by the Group (B) US\$	Unutilised amount (A)-(B) US\$
As at 30 April 2008	356,923,077	189,245,871	167,677,206
As at 30 April 2009	339,401,000	91,100,064	248,300,936
As at 30 April 2010	305,743,993	180,975,530	124,768,463
As at 31 July 2010	331,951,363	57,556,362	274,395,001
As at 30 September 2010	331,934,152	24,597,981	307,336,171

In the event that the banks or other financial institutions providing the existing banking and credit facilities to the Group do not continue to provide the existing or similar facilities and/or the Group is unable to obtain other sources of funding, its operations and financial performance may be adversely affected. Further, any significant fluctuations in interest rates may adversely affect the financial performance of the Group. For example, if the interest rates increase, the Group will be required to pay more interest expenses to the banks or other financial institutions to finance the commodities trading before the customers make payments

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to the Group and hence the finance costs of the Group will be increased which will in turn have a negative impact on the financial performance of the Group. In addition, under this situation, the cost incurred by customers of the Group for purchases from the Group may also be increased, which may result in the customers making less purchase (in terms of quantity) from the Group and in turn affect the Group's financial performance accordingly.

The Group had net cash used in operating activities during the Track Record Period

During the Track Record Period, the Group's cash flow for operating activities has fluctuated significantly according to movement of working capital, which, in general, fluctuated according to the Group's operations and business development.

The Group had net cash outflow in its operating activities for each financial year/period in the Track Record Period.

For FY2008, the Group recorded net cash outflow for operating activities of approximately US\$2.1 million, which was mainly due to the significant increase in trade and other receivables of approximately US\$36.0 million during the financial year, which in turn was mainly attributable to the significant increment in trade and bills receivables as at 30 April 2008 as compared to that as at 30 April 2007. Such increase was due to relatively high sales recorded by the Group close to the balance sheet date of FY2008.

For FY2009, the Group almost achieved break even in terms of cash generated from/used in operating activities with a minimal net cash outflow for operating activities of approximately US\$0.7 million in FY2009.

For FY2010, the Group recorded a net cash outflow in operating activities of approximately US\$6.2 million, which was mainly due to a significant increment in inventories with an amount of approximately US\$26.5 million in FY2010 (nil for FY2009) as the Group started to keep inventories for its domestic trading and distribution in FY2010. If the cash outflow in relation to the inventories were excluded, the Group would record net cash inflow in operating activities for FY2010.

For 1QFY2011, the Group recorded a net cash outflow in operating activities of approximately US\$11.8 million, which was mainly due to a significant increase in trade and other receivables of approximately US\$10.5 million as at 31 July 2010 which in turn mainly arose from the Group's entering into some sales transactions by the balance sheet date with payments to be made by the customers within 90 days after sight against relevant certificates issued by Entry-Exit Inspection and Quarantine of the PRC.

The Group's business, financial position and development plans may be adversely affected if the Group does not generate sufficient cash flows from operations to meet its present and future financial obligations. As the operations of the Group expand, more cash is expected to be required to fund its operations. Hence, the Group may need to raise additional funds through debt or other forms of financing to finance its operations and/or to refinance its debts.

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The finance costs may as a result increase significantly and affect the Group's profitability. If the Group is unable to repay its loans and borrowings when they fall due, the relevant creditors may take action to enforce the loans and borrowings which would adversely affect the operations and operating results of the Group.

The Group derived a significant portion of revenue from the five largest customers

The ability to maintain close and mutually beneficial relationships with the customers is important to the Group's ongoing growth and profitability. The Group has sold to 117, 100, 201 and 101 customers for each of FY2008, FY2009, FY2010 and 1QFY2011 respectively. Although the Group's sales to specific customers have varied from year to year and the customer base is diverse, the sales to the top five customers of the Group accounted for approximately 34.2%, 27.9%, 48.3% and 69.8% of the Group's total sales for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The largest customer for each of FY2008, FY2009, FY2010 and 1QFY2011 accounted for approximately 10.8%, 7.6%, 19.1% and 26.3% of the Group's total sales in FY2008, FY2009, FY2010 and 1QFY2011 respectively.

The Group does not have long term sales contracts with its major customers. If the Group is unable to maintain its business relationships with its major customers or, if a number of its customers were to encounter difficulties in their operations and reduce or cease their business relationships with the Group, the Group's operating results and profitability may be adversely affected.

The Group is reliant on a small number of suppliers for substantial portion of supplies

The Group sourced from 39, 61, 71 and 82 suppliers for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The top five suppliers of the Group accounted for approximately 61.0%, 46.2%, 47.4% and 72.9% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The largest supplier accounted for approximately 26.0%, 19.9%, 10.9% and 27.7% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

Save for the entering into of some framework agreements with some of its suppliers whereby the Group and such suppliers agree on a target supply volume in one year, the Group has not entered into any long term supply contracts with its suppliers. The parties to such framework agreements have not expressly excluded the legally-binding effect of those framework agreements. If the Group is unable to maintain its business relationships with its major suppliers for raw materials and steel products or, if a number of its suppliers encounter difficulties in their operations and reduce or cease their business relationships with the Group and the Group is not able to secure alternative sources of supply, the Group may not be able to fulfill its sales orders or be subject to increased costs. As such, the Group's operating results and profitability may be adversely affected.

The Group's major customers or suppliers varied from year to year during the Track Record Period

The Group's major customers and major suppliers in FY2008, FY2009, FY2010 and 1QFY2011 respectively are in large part different in each of those years. This lack of continuity

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of customers and suppliers is because steel trading is cyclical in nature, and the shifts in business dynamics requires the Group to adapt quickly in changing whom and what products they sell to or buy from at any point in time. If the Group is unable to adapt quickly enough to find new customers and suppliers or change its product portfolio as necessitated by shifts in business dynamics, its operations and financial performance may be adversely affected.

The Group's profit margins fluctuated during the Track Record Period

During the Track Record Period, the Group's gross profit margin fluctuated significantly. The gross profit margin of the Group's international trading activities for FY2008 was approximately 13.5% and such margin was reduced to approximately 8.8% for FY2009 due to the sharp plunge in the prices of the steel products after the commencement of the global financial crisis in late 2008, representing a decrease of approximately 34.8%. Shortly after the commencement of the global financial crisis in late 2008, the prices of the steel products experienced a sharp plunge. A number of the Group's customers, after the occurrence of the global financial crisis and as a result of the sharp decrease in price, re-negotiated the contract terms with the Group. With a view to maintain a good relationship with such customers and to sell the products which were purchased by the Group at a high price prior to such sharp plunge of price at the then best available price, the Group reduced its profit margin in certain sale transactions after the global financial crisis in FY2009, thus reducing the overall gross profit margin for FY2009. A more detailed discussion of the Group's gross profit and gross profit margin is set out in the section headed "Financial information" of this document. The gross profit margin of the Group's international trading for FY2010 was approximately 14.4%, which was at a level slightly higher than that for FY2008 and represented an increase of 5.6 percentage points as compared to that for FY2009.

Given that, in general, the Group's international trading is carried out on a back-to-back basis and the Group's domestic trading and distribution in Hong Kong is carried out based on customers' confirmed orders, the fluctuation in average selling price and/or cost of sales in relation thereto is not expected to have any significant adverse impact on the Group's profitability. As regards the Group's PRC domestic trading and distribution, for illustration purpose only, assuming all other factors, including the cost of sales, remaining the same, if the average selling price per tonne for FY2010 dropped by 1% (and thus the turnover for the Group's PRC domestic trading and distribution business would also dropped by 1% correspondingly), the Group's overall net profit after tax for that financial year would be reduced by approximately 1% while assuming all other factors remaining the same, if the cost of sales for FY2010 was increased by 1% and the Group failed to pass on the increased cost to its customers, the overall net profit after tax of the Group for that financial year would be reduced by approximately 1%.

The Group started its domestic trading and distribution during FY2009 and its gross profit margin for domestic trading and distribution activities also fluctuated for FY2009 and FY2010, the Group's gross profit margin for domestic trading and distribution were approximately 3.7% and approximately 7.9% respectively. There is no assurance that the Group could maintain its profit margins at times when the Group is pressured to adjust its selling prices downwards when demand for the Group's products decreases or when costs of sales or operations of the Group increase.

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The Group's financial performance may be affected by certain non-recurring expenses in relation to the Introduction

The Group's financial performance will be affected by certain non-recurring expenses in relation to the Introduction.

The estimated expenses in relation to the Introduction are approximately US\$1,400,000, which are to be charged to the consolidated income statements of the Group for the three months ending 31 January 2011.

The Group faces risk of default by its suppliers and/or customers

Steel is a commodity that is characterised by price volatility. During the Track Record Period, steel price experienced substantial fluctuations. Prior to the global financial crisis in late 2008, steel price was on a rising trend since January 2007 and reached the highest point in mid 2008. The steel price dropped significantly after mid 2008 and reached the lowest point in late 2008. For example, the price of cold rolled coils and hot rolled coils in Shanghai dropped from RMB7,250 and RMB5,980 per tonne in June 2008 to RMB3,925 and RMB2,925 per tonne respectively in November 2008.

Shortly after the commencement of the global financial crisis in late 2008, the steel price experienced a sharp plunge. A number of the Group's customers, after the occurrence of the global financial crisis and the sharp decrease in steel price, re-negotiated the contract terms with the Group. With a view to maintaining a good relationship with such customers and to sell the products purchased by the Group at a relatively high price prior to such sharp plunge in the steel price at the then best available price, the Group reduced its profit margin in certain sale transactions after the global financial crisis in FY2009, thus reducing the overall gross profit margin for FY2009 as a whole.

If the steel price suddenly increases sharply, the suppliers may renege on their contractual obligations to the Group and sell the goods ordered by the Group to third parties at a higher price. In such an event, the Group may face difficulties in fulfilling its obligations to its customers who have contracted to purchase such steel products from the Group. Conversely, if the steel price suddenly drops sharply, the customers may not honour their contractual obligations with the Group to purchase the steel products the Group has ordered as they may be able to purchase the same from the market at a lower price. In such an event, the Group is still obliged to fulfil its contractual obligations to purchase the steel products from its suppliers.

In domestic trading and distribution, the Group keeps inventories for customers for a certain period. As such, the Group faces the risk of default by customers in case of sharp drop in the steel price.

During the Track Record Period, the Group experienced four incidents of default by its suppliers and one incident of default by its customer. The total contract value of the defaults by the suppliers and the customer was approximately US\$53.4 million and US\$3.3 million respectively.

In case of default by the suppliers, the Group either persuaded the corresponding customers to cancel the contracts without compensation or purchased similar products from alternative suppliers to fulfill the Group's contractual obligations owed to the corresponding

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customers. On the other hand, the Group required the defaulting suppliers to compensate for the loss caused by their defaults, and in absence of an amicable settlement agreement, the Group instigated legal proceedings such as arbitration against the defaulting suppliers for their breach of contracts. The total contract value of the defaults by the suppliers represented approximately 1.6%, 4.0%, 7.5% and 0% of the total purchase of the Group for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

In the case of default by the customer, the Group resold the subject products to other customers at market prices while at the same time obtained an arbitration award against the defaulting customer. The total contract value of the default by the customer represented approximately 0%, 0.6%, 0% and 0% of the revenue of the Group for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

The amount of arbitration award obtained during the Track Record Period against the defaulting suppliers and customer were approximately US\$2.3 million. These awards are still in the enforcements stage. During the Track Record Period, the total amount of compensation received by the Group from defaulting suppliers and customers without instigating legal proceedings was approximately US\$2.2 million and the total amount the Group compensated to its customers and suppliers was approximately US\$18,500.

During the Track Record Period, there were a total of three arbitration proceedings in which the Group was the claimant claiming for an aggregate amount of approximately US\$7.3 million, among which a total of US\$2.3 million for two arbitration proceedings had already been awarded and pending the PRC courts granting the order for enforcement. For the remaining one, the Group entered into a settlement agreement with the defaulting supplier in August 2010 and received US\$1.7 million for final settlement of the dispute. The two arbitration proceedings against suppliers arose from the suppliers' failing to deliver the products in accordance with the contracts and the one arbitration proceedings against a customer arose from the customer's failing to issue the L/C while taking delivery of the products as per the contract. In case the Group needs to enforce the arbitration awards in local courts of the PRC, the time required to complete the enforcement procedures would be highly dependent on the courts' discretion.

In addition, the Group might lose opportunity to profit as a result of default by suppliers if the Group is not able to source from alternative suppliers to satisfy customers' needs, or default by customers if the Group is not able to resell the products to other customers at comparable prices, the Group might suffer from loss of profit.

During the Track Record Period, there was only one arbitration proceeding regarding a quality claim by a customer in which the Group was the respondent with claimed amount of approximately US\$1.3 million. Based on one of the terms of the sales contract which was the subject of the arbitration case against the Group, the Group was requested to compensate for the differential in quality content of the iron ore sold to the claimant, which was based on the surveyor's reports conducted at the loading port and the discharging port. Before the arbitration proceedings were commenced, the Group offered to pay compensation in the amount of approximately US\$0.2 million to the claimant. However, the claimant rejected the offer and claimed for approximately US\$1.3 million. The Group considered the claimed amount was unreasonable and therefore agreed to refer the dispute to arbitration. Finally, the Group was required to pay approximately US\$0.2 million only as compensation to the claimant according to the arbitration award granted against the Group.

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In the event that the Group has to resort to legal proceedings to enforce its contractual rights against its suppliers and/or customers for any default as aforesaid, such events would have an unfavourable impact on its business.

The Group faces inventory liquidity risks in its domestic trading and distribution in the PRC

Because of the characteristics of the Group's domestic trading and distribution in the PRC as detailed in the paragraphs headed "Inventory management" in the section headed "Business" in this document, the Group needs to keep inventories, regardless of whether or not it has obtained orders from customers, in its domestic trading and distribution in the PRC. The Group did not have inventories as at 30 April 2008 and 2009 and had inventories of approximately US\$26.5 million and US\$25.3 million as at 30 April 2010 and 31 July 2010 respectively, representing approximately 29.1% and 27.2% of the total assets of the Group as at the relevant balance sheet date. Among the inventories of the Group as at 30 April 2010 and 31 July 2010, the inventories kept by the Group for its domestic trading and distribution in the PRC represented approximately 7.7% and 3.5% of the total inventories kept by the Group for its domestic trading and distribution in both Hong Kong and the PRC as at 30 April 2010 and 31 July 2010 respectively. The Group does not have an optimal inventory level given the characteristics of the Group's domestic trading and distribution business. The inventories are maintained based on estimation of sales orders which is carried out by reviewing of past sales orders, potential customers orders and market demand trends. As the demand for steel products changes from time to time as to quantity and product type and the management's expectation on the market demand may not be accurate, the Group may have a risk on the liquidity of its inventories kept for its PRC domestic trading and distribution, which in turn may adversely affect the Group's financial performance.

Any adverse development in steel related sectors in the PRC may have adverse impact to the Group

The clients of steel products of the Group are mainly from steel related sectors in the PRC including but not limited to steel mills, steel processing plants, steel manufacturing plants and steel fabrication plants. As a result, the performance of steel related sectors in the PRC could affect the Group's performance. Any adverse development in the steel related sectors in the PRC, such as the actions taken by the PRC government in relation to the steel related sectors, could have a material adverse effect on the Group's operational and financial conditions. For instance, the recent PRC overheating economy has led to some measures adopted by the PRC government to cool down the economy, particularly on the property sector which, in turn, is expected to affect the steel industry.

Any austerity measures on the property sector launched by the PRC government might have adverse effect on the Group's business and operations

The recent PRC overheating economy has led to some measures adopted by the PRC government to cool down the economy, particularly on the property sector which, in turn, is expected to affect the steel industry. As advised by the Directors, during the Track Record Period, the Group did not sell steel products to construction companies in the PRC directly. If the Group sells steel products to construction companies in the PRC either directly or indirectly through its non-construction customers in the future, the Group's business might be adversely affected by the relevant austerity measures on the property sector launched by the PRC government.

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The Group may not be able to effectively manage its expansion and growth

The Group historically focused on international trading of steel products and their raw materials. While the Group continues to focus on its international steel trading business, the Group has expanded to new business areas of domestic trading and distribution, coal trading and provision of chartering services. The Group also plans to engage in steel processing, scrap steel processing and warehousing as more particularly discussed in the section headed “Future plans” in this document. Although these new areas of business are either upstream or downstream of the trading business that the Group is currently engaged in, the Group may not have the same level of familiarity with suppliers, customers and business practices as compared to the international steel trading business. The business expansion may place a substantial strain on the managerial and financial resources on the Group and any failure in effectively managing the expanded operations may materially and adversely affect the Group’s business, prospects, results of operations and financial condition.

The Group may not be able to realise future business plans

The future expansion plans, as summarised in the section headed “Future plans” in this document, are based on assumptions about future events including but not limited to the following factors which are at present uncertain:

- there are sufficient demand in the market for the products and services to be provided by the Group after it commences the operations of its future plans;
- the Group being able to recruit sufficient number of management team and staff with appropriate experience to cope with the needs in carrying out its future plans, especially in warehousing and port operations in which the Group currently does not have the relevant experience and expertise;
- the Group being able to obtain further financing from banks to invest in its future plans;
- the Group being provided with proper services from its contractors such as engineers, architects, building contractors, etc., for construction of the plans; and
- the Group being supplied with sufficient raw materials of reasonable quality and competitive prices for the processing of products.

Therefore, there is no assurance that the business plans of the Group will be materialised and successful.

The Group is reliant on key management personnel

The Group’s success is reliant on the continued efforts of its management team comprising its executive Directors and senior management. The Group’s management team is led by Mr. Yu and Mr. Chow who have extensive experience in international steel trading business and have established extensive global business networks as well as accumulated substantial knowledge of the markets the Group serves. As such, their experience and contributions are crucial to the success of the Group. In the event that the Group loses the services of any member of its senior management team without timely and suitable replacements and/or it is not able to attract and retain qualified and experienced personnel, it may materially and adversely affect the Group’s business.

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The Group deals with high value contracts

The contracts entered into by the Group with its customers or suppliers for the purchase or sale of steel products are normally high in value. During the Track Record Period, the average values of sales contracts that the Group entered into with its customers in FY2008, FY2009, FY2010 and 1QFY2011 were approximately US\$2,008,000, US\$2,672,000, US\$634,000 and US\$1,028,000 respectively, and the average values of purchase contracts that the Group entered into with its suppliers in FY2008, FY2009, FY2010 and 1QFY2011 were approximately US\$3,431,000, US\$3,619,000, US\$921,000 and US\$961,000 respectively. During the Track Record Period, the highest contract value entered into by the Group amounted to approximately US\$30,511,000. Consequently, if the Group is unable to perform its obligations under the contracts it enters into, the potential liability and loss resulting thereto would be significant and may adversely affect its operation and financial performance.

The Group faces risks in relation to the possible impact caused by future financial crisis

The global financial crisis in late 2008, which was reflected by the credit tightening, the increased unemployment rate and the liquidity problems of financial institutions, has adversely affected the world economies.

During the Track Record Period, the Group's gross profit margin fluctuated and dropped significantly in FY2009 which was attributable to the global financial crisis in late 2008 resulting in the sharp plunge in prices of steel products especially for raw materials. With a deteriorating worldwide economy, demand for commodities products may diminish, which in turn may affect the demand for the Group's products. In addition, the credit tightening environment may aggravate the Group's interest expenses on the bank borrowings, or the banks may reduce the amount of, or discontinue, the banking facilities granted to the Group. If the economic downturn continues, the Group's operational and financial conditions may be adversely affected.

The Group faces market competition

While there is no reliable source of the Group's market share, the Group from time to time faces competition in isolated transactions where it happens to sell the same or similar products to the same market as other steel traders. As such, the Group has to compete with many rivals for both raw materials and finished products. Competition for sales of finished products is based on price and quality, customer service and timely delivery. Should the Group fail to provide satisfactory service to its customers, the Group's operational and financial conditions might be adversely affected.

Some of the lease agreements of the Group's leased properties in the PRC have not been registered with the relevant authorities

The Group has leased five properties as office premises in the PRC, out of which the lease agreements of three properties have not been registered with the relevant PRC authorities. The legal advisers of the Company as to PRC laws are of the opinion that although the non-registration will not affect the legality of these leases, these leases cannot bind bona fide third parties.

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Although such leased properties with defective titles are not crucial to the Group's operation, if the Group's right to occupy the properties comes into question, the Group may have to relocate its offices elsewhere. The Group may, as a result, incur additional expenses in relocation and disruption in business operation.

RISKS RELATING TO THE GROUP'S EXPANSION PLANS

The Directors believe that the expansion plans of the Group are expected to expose the Group to additional business risks including among others:

Additional competition

As a new player in the processing businesses, the Group is expected to compete with existing steel processing players and scrap steel processing players. In the meantime, the Group is likely to face competition from new entrants given the low industry entry barrier of the industries, particularly relatively low requirements in technology and labour skills. Consequently, if the Group were unable to survive this new competition, the Group's overall business, profitability and financial condition may be adversely affected.

Increase in prices of steel and principal raw materials

Scrap metal is the principal raw material used by the Group for its new steel processing business and scrap steel processing business. The prices of scrap metal are closely related to that of steel, the latter of which has experienced fluctuation in the past, and may be also influenced by factors beyond the Group's control, such as the steel industry in the world and the PRC, the prevailing supply of and/or the demand for scrap metal, and trade barriers. Consequently, if the price of scrap metal were to increase and the Group were unable to pass its cost increment onto its customers, the Group's overall business, profitability and financial condition may be adversely affected.

Pressure on working capital requirement

As commodity trading is a capital intensive business, the Group has been reliant on banking facilities to finance its trading business during the Track Record Period. The Directors expect that Novo (TJ) and Taizhou Long Feng would require additional working capital to cater for their respective costs and expenses after they commence operation. Consequently, if the Group were unable to obtain additional funding for its continuing operation and its expansion plans in the future, the Group's overall financial condition may be adversely affected.

Relationships with customers and suppliers

The processing business is different from the existing trading business carried out by the Group as the Group, as a producer, has to secure a relatively stable supply of raw materials for its processing and also a relatively stable customer base for its sale of processed steel products. However, during the Track Record Period, the Group had volatile customer group and supplier

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group as the Group, acting as a trader, was required to change quickly in its product portfolio to cater for the shifts in the business dynamics, which resulted in the existing volatile customer and supplier bases. Consequently, if the Group were unable to procure the supply of principal raw materials and/or to establish a relatively stable customer base for its processed steel products, the Group's overall business, profitability and financial condition may be adversely affected.

Environmental laws and regulations in the PRC

As advised by the Company's legal advisers as to the PRC laws, the entity that is operating scrap steel processing business shall obtain relevant governmental approvals or licenses or permits, including, among others, approvals from local environmental protection bureau. As such, the Group's scrap steel processing business is subject to environmental laws and regulations in the PRC in respect of, among others, the discharge of waste products such as industrial liquid, solid waste and sewage. If the Group failed to comply with these applicable laws, regulations or restrictions, the Group may be punished or fined or other legal consequences.

Additionally, as disclosed in the sub-paragraph headed "Changes in the PRC legal system" in the paragraph headed "Risks relating to the PRC" in this section, in consideration of the uncertainty of a certain degree on the interpretation and enforcement of the existing relevant rules and regulations and also the development of rules and regulations governing environmental matters, the Group may incur higher compliance costs.

RISKS RELATING TO THE GROUP'S INDUSTRY

Cyclical nature of the steel industry

The steel industry is cyclical in nature, reflecting fluctuation in market demand for steel products, and is affected by other industries which are heavily reliant on steel products. There can be no assurance that international steel price will not decline in the future. Fluctuation in international steel price may cause fluctuation on market demand on steel products, which may, as a result, adversely affect the business of the Group.

Demand for steel products in a market is primarily affected by the economic conditions including the government's monetary and fiscal policies, supply and demand in the international steel market and fluctuation in the demand of industries with heavy usage of steel products, such as shipbuilding, construction, automobile and machinery industries.

The PRC market currently being the Group's largest market may experience cyclical fluctuation in market demand for steel products in the future. If the demand for steel products decreases in the PRC, the business of the Group will be adversely affected in terms of, among others, revenue, profit and profit margin.

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As mentioned above, the Group keeps inventories for customers in domestic trading and distribution. Due to the cyclical fluctuation of steel price, at times of price slumps and in case where customers fail to perform the relevant sales contracts, the Group's financial performance may be adversely affected as the Group will then be required to make provision for such inventories according to the Group's accounting policy.

Seasonal nature of the coal industry

Demand for coal is seasonal, depends highly on the time of year, and changes from season to season. In hot summers, high electricity demand for air conditioning boosts demand for coal consumed by coal burning power plants. Similarly, the colder the weather during the winter, the more noticeable will be the winter peak of demand. Therefore, mild weather may lead to drop in demand for coal and may negatively impact the Group's profitability.

RISKS RELATING TO THE PRC

Political, economic and social consideration

Part of the business of the Group is located in the PRC. Accordingly, the profitability, financial position and prospects of the Group will be affected by the economic, political and social development in the PRC. Despite the rapid growth of the economy in recent years, the PRC economy is currently at the primary stage of market economy. Although the PRC government has implemented economic reform measures to increase utilisation of market forces, the PRC economy is still affected by significant government involvement, government control of capital investment and foreign exchange. There is no assurance that all the existing government policy will continue to be effective. The Group cannot predict whether there would be any changes in the PRC's political, economic and social conditions and whether such changes will have any adverse effect on the Group's current or future business, operations or financial condition.

Changes in the PRC legal system

PRC laws are statutory laws which are often principle-oriented and are supplemented by interpretation documents issued by the enforcement bodies. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, the promulgation of new laws and regulations or the amendments to the existing laws and regulation may involve a certain degree of uncertainty and may adversely affect the business and prospects of the Group and in turn may affect potential customers of the Group.

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RISKS RELATING TO THE DUAL PRIMARY LISTING OF THE COMPANY

There are different characteristics between the Singapore stock market and the Hong Kong stock market

The Shares are currently listed and traded on the SGX-ST (the “Singapore Shares”). Following the Listing, it is the current intention of the Company that the Singapore Shares will continue to be traded on the SGX-ST, and the Shares subject to the Introduction to be registered by the Hong Kong Branch Registrar (the “Hong Kong Shares”) will be traded on the Hong Kong Stock Exchange. If an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Hong Kong Stock Exchange, he must effect a removal of Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register. Under normal circumstances, it generally requires 14 business days to complete. If an investor whose Shares are traded on the Hong Kong Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of the Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register of members. Under normal circumstances, it generally requires 15 business days to complete. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, time required to shunt shares between the CDP and Hong Kong Branch Registrar may vary and there is no certainty when shunted shares will be available for trading or settlement.

The SGX-ST and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of the Singapore Shares and the Hong Kong Shares may not be the same. Further, fluctuations in the price of the Singapore Shares could materially and adversely affect the price of the Hong Kong Shares and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars could materially and adversely affect the prices of the Singapore Shares and the Hong Kong Shares. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of Singapore Shares may not be indicative of the performance of the Hong Kong Shares after the Listing. Investors should therefore not place undue reliance on the prior trading history of the Singapore Shares when evaluating an investment in the Hong Kong Shares.

The Company, being incorporated in Singapore and listed on the SGX-ST, is concurrently subject to, amongst others, the Singapore Companies Act, the Listing Manual, the Securities and Futures Act and the Singapore Code

Being a company incorporated in Singapore and listed on the SGX-ST, the Company is required to comply with, amongst others, the Singapore Companies Act, the Listing Manual, the Securities and Futures Act in addition to the Listing Rules. In the event of any conflict between the applicable rules and regulations in Singapore and those under Hong Kong laws, the Company would have to comply with the more onerous rules, subject to approvals from the relevant stock exchange(s) and/or government authority(ies). In this connection, additional costs and resources could possibly be incurred. In addition, being a listed company in

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Singapore, the Company is also subject to the relevant provisions of the Singapore Companies Act and the Singapore Code that are applicable to any person who would like to conduct a future takeover or change in control of the Company. Please refer to the paragraph headed “Principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual and certain applicable Singapore and Hong Kong laws” in Appendix V to this document for details of the principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual.

Certain provisions of the Singapore laws apply to the Shareholders even though their Shares are only registered with the share register in Hong Kong

According to Singapore laws, a person has a substantial shareholding in a company if the total number of votes attached to the shares interested by him is not less than 5 per cent of the total votes attached to all the shares in the company. A substantial shareholder is required under Singapore law to notify both the Company and the SGX-ST in writing of his becoming a substantial shareholder, change in the percentage level of his shareholding or his ceasing to be a substantial shareholder within two business days of the relevant event as opposed to three business days under Hong Kong laws. Change in “percentage level” means increase or decrease to the next discrete 1% threshold. Shareholders failing to comply with the aforesaid reporting requirements shall be guilty of offences under Singapore law and be liable a fine on conviction and further daily fines for continuing non-compliance after conviction. Details of the aforesaid reporting obligations and method of compliance are set out in Appendix IV to this document.

Shareholders should note the possible taxation on disposal of the Shares under the Singapore laws

Singapore laws do not impose tax on capital gains. However, gains arising from the disposal of ordinary shares of the Company that are construed to be of an income nature will be subject to Singapore tax if the gains arise from activities which the Controller of Income Tax of Singapore considers as the carrying on of a trade or business in Singapore. Details of shareholders’ tax obligations under Singapore laws are set out in Appendix IV to this document.

There may be limited liquidity in the Shares and volatility in the price of the Shares on the Hong Kong Stock Exchange and the effectiveness of the bridging arrangements is subject to limitations

The Shares have not been traded on the Hong Kong Stock Exchange before the Listing and there may be limited liquidity in the Shares on the Hong Kong Stock Exchange. There is no guarantee as to the estimated number of the Shareholders who will remove their Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register following the Listing and there is no certainty as to the number of Shares that Shareholders may elect to transfer from Singapore Principal Share Register to Hong Kong Branch Share Register. Investors may therefore not be able to purchase or liquidate Shares quickly or at prices

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attractive to them on the Hong Kong Stock Exchange. The market price of the Shares may be volatile and may go down as well as up and investors may therefore not be able to recover their original investment, especially as the Shares may have limited liquidity. In addition, the price at which investors may dispose of their Shares may be influenced by a number of factors, some of which may pertain to the Company, while others are extraneous to it. Accordingly, there is no guarantee that the prices at which Shares are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the prices at which Shares are traded on the SGX-ST or that any particular volume of Shares will trade on the Hong Kong Stock Exchange.

In connection with the Introduction, the Bridging Dealer has been appointed to implement the bridging arrangements described in the paragraph headed “6. Bridging arrangements” in the section headed “Listings, registration, dealings and settlement” in this document. The bridging arrangements are arbitrage activities and are expected to contribute to the liquidity of trading in the Shares on the Hong Kong market upon the Introduction as well as to reduce potential material divergence between Share prices on the Hong Kong and the Singapore markets by facilitating the migration of Shares to the Hong Kong Branch Share Register to develop an open market in the Shares in Hong Kong following the Introduction.

However, prospective investors should be aware that the bridging arrangements are subject to the Bridging Dealer’s ability to sell the Shares or obtain sufficient number of Shares for settlement on the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets. There is no guarantee that the bridging arrangements will attain and/or maintain liquidity in the Shares at any particular level on the Hong Kong Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will also terminate and cease to continue beyond the Bridging Period (being the 30-day period from and including the Listing Date).

The bridging arrangements do not create any obligation on the Bridging Dealer to undertake any arbitrage or other transactions in the Shares. Accordingly, there is no guarantee that the price at which the Shares are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which the Shares are traded on the SGX-ST or that any particular volume of the Shares will trade on the Hong Kong Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in the Shares on the Hong Kong Stock Exchange.

Dividends declared by the Company in the past may not be indicative of the Company’s dividend policy in the future

Any proposal by the Directors for the declaration of dividends and amount of any dividends to be paid will depend on various factors, including, but not limited to, the Group’s results of operations, future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and any other factors that the Directors may consider relevant from time to time. Accordingly, the Group’s historical

RISK FACTORS

dividend distributions are not indicative of its future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis for predicting future dividends.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

Statistics and census figures may not be accurate

Certain statistics, information, analysis and the related facts set out in the section headed “Industry Overview” in this document have been extracted from various government and private publications. The Directors believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted which would render such information false or misleading. The information has not been prepared or independently verified by the Company or the Sponsor or any of their respective advisers or affiliates in connection with the Listing, and no representation is given as to its accuracy.

Forward-looking information may prove inaccurate

This document contains forward-looking statements and information relating to the Group’s operations and prospects that are based on the current beliefs and assumptions as well as information currently available to the Group. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects” and similar expressions, as they relate to the Group’s business, are intended to identify forward-looking statements. Such statements reflect the current beliefs with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions or information prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. The Group does not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange.

WAIVERS

In preparation for the Listing, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

A. ISSUANCE OF SECURITIES AND NON-DISPOSAL OF SHARES

1. Issuance of new Shares

Rule 10.08 of the Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing) except for the circumstances more particularly stated in the Listing Rules.

Rule 10.07(1)(a) of the Listing Rules provides that the controlling shareholders of the issuer shall not in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the securities of a new applicant commence on the Hong Kong Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s).

Other than (i) the disposal of 51,841,000 Shares held by New Page under a securities lending arrangement to facilitate the placement of new Shares by the Company pursuant to a top-up placing of shares on 13 January 2010; and (ii) the disposal of the Shares by New Page as contemplated under the Stock Sale and Purchase Agreement and the transfer of Shares by New Page pursuant to borrowing request made under the Stock Borrowing Agreement, the Company's Controlling Shareholders have not disposed of any Shares since the listing of the Company on SGX-ST in April 2008. The Company has on 21 January 2010, issued and allotted 51,841,000 new Shares to New Page in accordance with the terms of the top-up placing. The allotment and issue of the new Shares is in return for the Shares lent by New Page pursuant to the securities lending arrangement. The new Shares were equivalent to approximately 7.9% of the then issued share capital of the Company as enlarged by the issue of 51,841,000 new Shares.

The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 10.08 and 10.07(1)(a) of the Listing Rules on the following grounds:

As regards Rule 10.08 of the Listing Rules:

- (a) the Company does not have current plans to raise funds such as to conduct any placing activities in Singapore before the Listing in the short-term, but it is essential for the Company to have flexibility to raise funds by way of further issue of Shares or enter into further acquisitions for share consideration should an appropriate opportunity arise. Any issue of new Shares by the Company will enhance the

WAIVERS

Shareholders' base and increase the trading liquidity of the Shares, and the interests of the existing Shareholders would be prejudiced if the Company could not raise funds for its expansion due to the restrictions under Rule 10.08 of the Listing Rules;

- (b) the listing of the Company on the Hong Kong Stock Exchange by way of Introduction will not result in any dilution of the interests of the existing Shareholders; and
- (c) the interests of Shareholders are well protected since any further issue of Shares by the Company would be made under general mandate or subject to Shareholders' approval as required under Rule 13.36 of the Listing Rules; and

As regards Rule 10.07(1)(a) of the Listing Rules:

- (d) it is a consequential technical waiver of Rule 10.07(1)(a) of the Listing Rules if waiver for strict compliance with Rule 10.08 of the Listing Rules is granted.

The Company has undertaken to observe the following conditions:

- (a) any issue of Shares (or convertible securities) by the Company during the first six months after the Listing must be either for cash to fund a specific acquisition or as part or full consideration for acquisition(s);
- (b) the acquisition(s) as mentioned in (a) above must be for asset(s) or business(es) that will contribute to the growth of the operation of the Group; and
- (c) any such issue of new Shares will not result in the Controlling Shareholders ceasing to be Controlling Shareholders of the Company as a result of the dilution of their holdings of Shares (i.e. deemed disposal of Shares) upon the issue of any Shares within twelve months of the Listing.

2. Stock Borrowing Agreement and Stock Sale and Purchase Agreement

Pursuant to Rule 10.07(1)(a) of the Listing Rules, the Controlling Shareholders shall not dispose of, and shall procure that the registered holder shall not dispose of, any Shares in respect of which they are the beneficial owners, as shown in this document, for a period commencing from the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this document and ending on the date which is six months from the Listing Date.

Upon the Introduction and during the Bridging Period, the Bridging Dealer, on its own account, will seek to undertake arbitrage activities in circumstances as described in the paragraph headed "6. Bridging arrangements" in the section headed "Listings, registration, dealings and settlement" in this document. Such arbitrage activities are expected to contribute to the liquidity of trading in the Shares on the Hong Kong market upon the Introduction as well

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as to reduce potential material divergence between Share prices on the Hong Kong and the Singapore markets. To ensure the Bridging Dealer will have ready access to appropriate quantities of Shares for settlement purposes upon the Introduction and during the Bridging Period, New Page and the Bridging Dealer have entered into the Stock Borrowing Agreement and the Stock Sale and Purchase Agreement.

Pursuant to the Stock Borrowing Arrangement, New Page shall upon request by the Bridging Dealer lend up to the number of Shares it holds at the time of such request to the Bridging Dealer, on one or more occasions, and an equivalent number of Shares shall be returned to New Page within a specified period after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date), subject to compliance with applicable laws, rules and regulations in Singapore and Hong Kong, and further provided that the lending and the subsequent acceptance of redelivery of any Shares by New Page, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Under the existing requirements of the Takeovers Code and the Singapore Code, the maximum percentage of issued Shares that is subject to the Stock Borrowing Arrangement is approximately 17.6% (taking into account the 1% Shares which was agreed to be sold by New Page to the Bridging Dealer under the Stock Sale and Purchase Agreement).

Pursuant to the Stock Sale and Purchase Agreement, New Page has agreed to sell to the Bridging Dealer an aggregate of 1,708,050 Existing Shares (representing approximately 1% of the Shares in issue) at a sale price of S\$0.705 per Existing Share, being the closing price of the Shares quoted on the SGX-ST on the day immediately before the date of the Stock Sale and Purchase Agreement. Additionally, the Bridging Dealer shall sell and New Page shall repurchase the equivalent number of Shares it sold under the Stock Sale and Purchase Agreement, at the same price as such Shares were sold, not later than 13 Business Days after the Bridging Period End Date. The purpose of such sale is to facilitate the role of the Bridging Dealer commencing from the pre-opening period on the first day of the Introduction and that the Bridging Dealer can have a small inventory of Shares prior to the commencement of trading.

Further particulars of the Stock Borrowing Arrangement and the Stock Sale and Purchase Agreement are set out in the section headed “Listings, registration, dealings and settlement – Bridging arrangements – Intended arbitrage activities during the Bridging Period” in this document.

The Company and the Controlling Shareholders have applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules in connection with the transactions contemplated under the Stock Borrowing Agreement and the Stock Sale and Purchase Agreement on the conditions that:

- (a) the Stock Borrowing Arrangement and the sale and repurchase arrangement pursuant to the Stock Sale and Purchase Agreement are for the sole purpose of facilitating the arbitrage activities in circumstances as described in the paragraph headed “6. Bridging arrangements” in the section headed “Listings, registration, dealings and settlement” in this document;

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- (b) the same number of Shares borrowed, or purchased, under the Stock Borrowing Agreements, or the Stock Sale and Purchase Agreement, shall be returned to New Page not later than 13 Business Days after the Bridging Period End Date;
- (c) the number of Shares to be sold by New Page to the Bridging Dealer is 1,708,050 Shares, representing approximately 1% of the Shares in issue, and such Shares will be repurchased by New Page not later than 13 Business Days after the Bridging Period End Date;
- (d) all applicable laws, rules and regulations in connection with the Stock Borrowing Agreement and the Stock Sale and Purchase Agreement will be complied with; and
- (e) no payment will be made to New Page in relation to the Stock Borrowing Arrangement.

Save and except for the deemed disposal of Shares by the Controlling Shareholders upon the issue of securities by the Company and save for the transactions as contemplated under the Stock Borrowing Agreement and the Stock Sale and Purchase Agreement, each of the Controlling Shareholders had confirmed that he/it would comply with the restrictions on the disposal of securities under Rule 10.07 of the Listing Rules.

B. DEALINGS IN THE SHARES PRIOR TO THE LISTING

According to Rule 9.09 of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “Relevant Period”). In the context of a dual primary listing of a widely held, publicly traded company which currently has its issued Shares listed on the SGX-ST, the Company has no control over the investment decisions of its Shareholders (other than the Controlling Shareholders) and the investing public in Singapore. To the best knowledge of the Directors after making reasonable enquiry, other than the Controlling Shareholders, there is no other Shareholder who held more than 10% of the total issued share capital of the Company as at the Latest Practicable Date. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09 of the Listing Rules which restricts such dealings in the Shares prior to Listing.

The Hong Kong Stock Exchange has granted the waiver subject to:

- (a) potential substantial shareholders have not been and will not be involved in the management and operation of the Group prior to the Listing;
- (b) other than the Controlling Shareholders, the Company does not have control over the investment decisions of any Shareholder and the investing public in Singapore;

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- (c) save for (i) the disposal of Shares by New Page as contemplated under the Stock Sale and Purchase Agreement; and (ii) the Stock Borrowing Agreement, the Controlling Shareholders, the Directors and chief executive officer, together with their respective associates, have not dealt in and will not deal in the Shares before the listing of the Shares in Hong Kong;
- (d) the Company and the Sponsor undertake that prior to the Listing, no non-public information will be disclosed to any Shareholder; and
- (e) the Company shall notify the Hong Kong Stock Exchange of any dealing or suspected dealing in the Shares by any connected persons of the Company during the Relevant Period of which it becomes aware.

As at the Latest Practicable Date, the Company is not aware of any potential connected person which may not be able to comply with Rule 9.09 of the Listing Rules. The Company has not provided any non-public information to its Shareholders.

C. QUALIFICATIONS OF COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, the company secretary of the issuer must be a person who is ordinarily resident in Hong Kong and has the requisite knowledge and experience to discharge the functions of the secretary of the issuer and who:

- (a) is an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or
- (b) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging those functions.

Two of the Company's company secretaries, Ms. Wee Woon Hong and Mr. Lee Hock Heng are ordinarily resident in Singapore and do not possess the qualification required under Rule 8.17(2) of the Listing Rules, and hence both Ms. Wee Woon Hong and Mr. Lee Hock Heng do not meet the requirements under Rule 8.17 of the Listing Rules.

In this regard, the Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules for an initial period of three years from the Listing Date subject to the following conditions:

- (a) the Company has appointed Ms. Wong Tak Yee ("Ms. Wong"), who meets all the requirements under Rule 8.17 of the Listing Rules to assist Ms. Wee Woon Hong and Mr. Lee Hock Heng so as to enable them to acquire the relevant experience in order to discharge the duties of a company secretary under Rule 8.17(3) of the Listing

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Rules, as one of the company secretaries of the Company. This waiver will be revoked immediately when Ms. Wong ceases to be one of the company secretaries of the Company to assist Ms. Wee Woon Hong and Mr. Lee Hock Heng during such three-year period and the Company fails to appoint another company secretary who possesses the necessary requirements under the Listing Rules to replace Ms. Wong;

- (b) the Company has appointed Mr. Yu and Mr. Chow Kin San, both being executive Directors, as authorised representatives of the Company;
- (c) the Company has appointed CIMB as the Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules which will act as the Company's additional communication channel with the Hong Kong Stock Exchange;
- (d) Ms. Wee Woon Hong and Mr. Lee Hock Heng will take external training courses provided by the Law Society of Hong Kong or any other professional bodies in order to acquire and understand the updated requirements and developments of the Listing Rules as well as other relevant laws and regulations during such three-year period; and
- (e) upon the expiry of the three-year period from the Listing Date, the Hong Kong Stock Exchange will re-visit the situation in the expectation that the Company should then be able to demonstrate to the Hong Kong Stock Exchange satisfaction that, Ms. Wee Woon Hong and Mr. Lee Hock Heng, having had the benefit of Ms. Wong's assistance for three years, would have acquired relevant experience within the meaning of Rule 8.17(3) of the Listing Rules such that a further waiver will not be necessary.

Each of Ms. Wee Woon Hong and Mr. Lee Hock Heng has provided valid phone numbers and email addresses to the Hong Kong Stock Exchange and will inform the Hong Kong Stock Exchange promptly in the event of any change of means of communications. Furthermore, in order to ensure effective communication between the Company and the Hong Kong Stock Exchange, the Company has appointed Mr. Yu and Mr. Chow Kin San as its authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal communication channel with the Hong Kong Stock Exchange and CIMB as the Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which will act as the Company's additional communication channel with the Hong Kong Stock Exchange. Each of the authorised representatives will be available to meet with the Hong Kong Stock Exchange within a reasonable time frame upon request by the Hong Kong Stock Exchange and will be readily contactable by telephone or facsimile or email. The contact persons of the compliance adviser will provide their contact details to the Hong Kong Stock Exchange and will be fully available to answer queries from the Hong Kong Stock Exchange.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

This document is published in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this document or any part thereof in connection with any offering, or invitation to the offer, of the Shares or other securities of the Company. Accordingly, there is no, and will not be any, offer of or solicitation, or an invitation by or on behalf of the Company and the Sponsor to subscribe for or purchase any of the Shares. Neither this document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of making, and the delivery, distribution and availability of this document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of the Company and the Sponsor to subscribe for or purchase any of the Shares.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Application has been made to the Listing Committee for listing of, and permission to deal in, the Shares in issue in the SGX-ST. The Company's listings on both the Hong Kong Stock Exchange and SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, the Hong Kong Stock Exchange, the Company must comply with the Listing Rules and the Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore which are applicable to the Company. In the event where there is a conflict or inconsistency between the requirements of the listing rules of the two stock exchanges, the listing rules with the more onerous requirements shall prevail. The Directors will use their best endeavours to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa. The Directors confirmed that the Company has been in compliance with relevant applicable laws and listing rules of Singapore since 10 March 2008, being the date on which the reverse takeover of the then members of the Group by the Company was completed.

As Shareholders' approval is required for the proposed Introduction and the proposed amendments to the Articles to, amongst other things, comply with the requirements of the Listing Rules and the Listing Manual, a circular in relation to such matters was despatched by the Company on 6 October 2010 to its Shareholders. The EGM was held on 29 October 2010 at which resolutions for, inter alia, the approval of the proposed Introduction and the proposed amendments to the Articles were passed by the Shareholders. Save as disclosed aforesaid, no approval from the SGX-ST is required for the proposed Introduction.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

Details of the arrangement for the removal of Shares from the Singapore Principal Share Register to Hong Kong Branch Share Register or from the Hong Kong Branch Share Register to Singapore Principal Share Register are set out in the section headed “Listings, registration, dealings and settlement” in this document.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence on 6 December 2010. The Shares will be traded on the Main Board in board lots of 1,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

NO CHANGE IN THE NATURE OF BUSINESS

No change in the nature of business of the Group is contemplated following the Introduction.

HONG KONG STAMP DUTY

Dealings in Shares registered in the Hong Kong Branch Share Register kept by the Company are subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the purchasing, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares, you should consult an expert. It is emphasised that none of the Company, the Sponsor, any of their respective directors, agents, employees, advisors or affiliates or any other person or party involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the purchasing, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

CONDITIONS OF THE INTRODUCTION

The Introduction is subject to the fulfillment of the conditions that, amongst other things, the Listing Committee grants the listing of, and permission to deal in, on the Main Board, the Shares presently in issue and listed on the SGX-ST as well as the approval of the Shareholders of the proposed Introduction and the adoption of the amendments to the Articles, which was obtained at the EGM held on 29 October 2010.

REASONS FOR THE INTRODUCTION

The Shares have been traded on the SGX-ST since 28 April 2008. The Directors consider that it is desirable and beneficial for the Company to have dual primary listing status in both Singapore and Hong Kong so that the Company can have ready access to these different equity markets in Asia Pacific region when the opportunity arises. The two markets also attract different investor profiles thereby widening the investor base of the Company and increasing the liquidity of the Shares. In particular, it enables the Company to benefit from its exposure to a wider range of private and institutional investors. The Directors believe that a listing in Hong Kong is in line with the Group's focus on its operations in the PRC, which is important for the Group's growth and long term development.

RELEASE OF PRICE SENSITIVE INFORMATION

The Company will inform the SGX-ST and the Hong Kong Stock Exchange simultaneously of any information released to either of them and the Company will ensure any price sensitive information released to either the market in Hong Kong or Singapore will be simultaneously released to the other in order to comply with the requirements under Rule 13.09(2) of the Listing Rules.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Yu Wing Keung Dicky	52A Tower 6, Phase 2 Bel-Air Residence No. 38 Bel-Air Avenue Pokfulam Hong Kong	Chinese
Mr. Chow Kin Wa	Flat B, 51/F, Block 6 Coastal Skyline Tung Chung New Territories Hong Kong	Chinese
Mr. Chow Kin San	Room 2821, Indi Home 138, Yeung Uk Road Tsuen Wan Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Tang Chi Loong	20, Jalan Minggu Singapore 577353	Singaporean
Mr. Foo Teck Leong	6 Fudu Walk Singapore 789505	Singaporean
Mr. Tse To Chung, Lawrence	Flat C, 2nd Floor, Block 3 Braemar Hill Mansions No. 19 Braemar Hill Road North Point Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

PARTIES INVOLVED IN THE INTRODUCTION

Sponsor

CIMB Securities (HK) Limited
25/F Central Tower
28 Queen's Road Central
Hong Kong

Legal advisers to the Company

As to Hong Kong laws
Leung & Lau
13th Floor, Public Bank Centre
120 Des Voeux Road Central
Hong Kong

As to Singapore laws
Wee Woon Hong & Associates LLC
30 Raffles Place
#19-04 Chevron House
Singapore 048622

As to PRC laws
Haiwen & Partners
21/F, Beijing Silver Tower
No. 2 Dong San Huan North Road
Chaoyang District, Beijing 100027
The PRC

As to BVI laws
Conyers Dill & Pearman Pte. Ltd.
9 Battery Road
#20-01 Straits Trading Building
Singapore 049910

As to India laws
Associated Law Advisers
Antriksh Bhawan (6th Floor)
22 Kasturba Gandhi Marg
New Delhi – 110 001

As to UAE laws
Trench & Associates
2nd Floor, Albwardy Building
Khalid Bin Waleed Street
P O Box 21832, Dubai
United Arab Emirates

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Auditors and reporting accountants

Baker Tilly Hong Kong Limited
Certified Public Accountants
12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

Registered office	20 Harbour Drive #05-01 PSA Vista Singapore 117612
Headquarter and principal place of business in Hong Kong	Rooms 1109-1111, 11th Floor China Merchants Tower Shun Tak Centre 168 Connaught Road Central Hong Kong
Company's website	www.novogroupltd.com <i>(information contained in this website does not form part of this document)</i>
Company secretaries	Ms. Wee Woon Hong, LLB (Hons) Mr. Lee Hock Heng, ACIS Ms. Wong Tak Yee, ACIS, ACS
Authorised representatives under the Listing Rules	Mr. Yu Wing Keung Dicky 52A Tower 6, Phase 2 Bel-Air Residence No. 38 Bel-Air Avenue Pokfulam Hong Kong Mr. Chow Kin San Room 2821, Indi Home 138 Yeung Uk Road New Territories, Hong Kong
Authorised representative under Part XI to the Companies Ordinance	Ms. Wong Tak Yee, ACIS, ACS Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Compliance adviser	CIMB Securities (HK) Limited 25/F Central Tower 28 Queen's Road Central Hong Kong
Audit committee	Mr. Foo Teck Leong (<i>Chairman</i>) Mr. Tang Chi Loong Mr. Tse To Chung, Lawrence

CORPORATE INFORMATION

Remuneration committee	Mr. Tang Chi Loong (<i>Chairman</i>) Mr. Foo Teck Leong Mr. Tse To Chung, Lawrence
Nominating committee	Mr. Tang Chi Loong (<i>Chairman</i>) Mr. Foo Teck Leong Mr. Tse To Chung, Lawrence
Investment committee	Mr. Chow Kin San (<i>Chairman</i>) Mr. Tang Chi Loong Mr. Foo Teck Leong
Principal share registrar and transfer office in Singapore	Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Principal bankers	BNP Paribas Hong Kong Branch 18/F, Three Exchange Square 8 Connaught Place Central Hong Kong China Construction Bank (Asia) Corporation Limited 16/F., York House The Landmark 15 Queen's Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Central Hong Kong

CORPORATE INFORMATION

Oversea-Chinese Banking Corporation
Limited (Hong Kong branch)
9/F, Nine Queen's Road Central
Hong Kong

Rabobank International (Hong Kong branch)
10/F., York House
The Landmark
15 Queen's Road Central
Hong Kong

Shanghai Commercial Bank Limited
666 Nathan Road
Mongkok
Kowloon
Hong Kong

Societe Generale
8 Marina Boulevard
#07-01 Marina Bay Financial Centre Tower 1
Singapore 018981

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

WestLB, AG (Singapore branch)
3 Temasek Avenue #23-02A
Centennial Tower
Singapore 039190

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources. The Group believes that the sources of such information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Group or the Sponsor or any other party involved in the Introduction has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Group or the Sponsor or any other party involved in the Introduction and no representation is given as to its accuracy.

INTRODUCTION

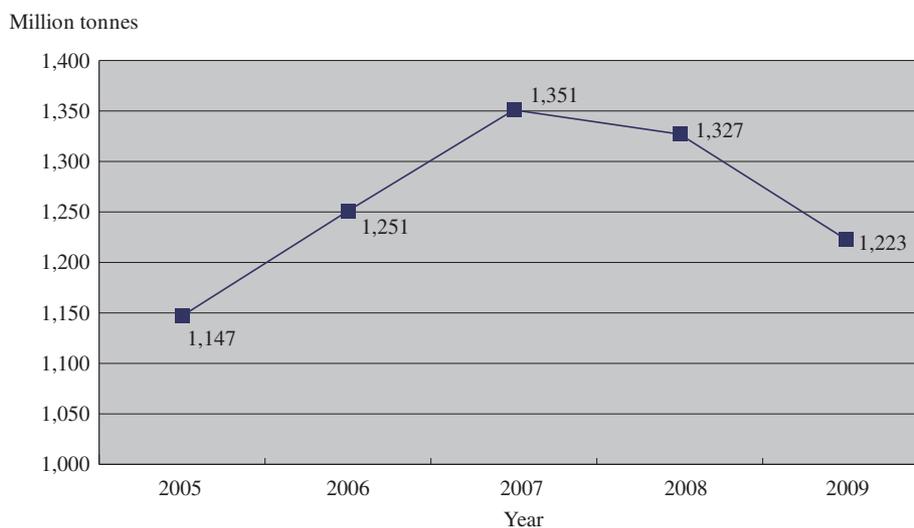
The Group is principally engaged in international and domestic trading and distribution of steel products. The Directors consider that the market trend and data of steel products have material impact on the industry which the Group operates.

(a) Global steel industry

(i) Global crude steel production industry

According to the chart below, global crude steel production has experienced fluctuation in the past few years.

Global crude steel production



Source: Iron and Steel Statistics Bureau (“ISSB”) quoting statistics compiled by the World Steel Association (“WSA”)

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As illustrated above, the global crude steel production decreased to 1,223 million tonnes in 2009, representing a year-on-year (“YoY”) decrease of approximately 8%, which was mainly due to the global recession that plagued the worldwide economy in 2009. According to information from ISSB quoting statistics compiled by WSA, major production countries and regions, such as European Union, North American Free Trade Area (NAFTA) and South America, showed significant decrease in their respective steel output in 2009 while Asia recorded a YoY increase of 3% in its steel output. For the first quarter of 2010, the global steel output amounted to 342 million tonnes, representing an approximately 29% increase as compared with that of the same period of 2009 and also the highest quarterly output since the second quarter of 2008.

The PRC has remained the largest steel producing country in the world in the past two years, leading the other steel producing countries with a total production of approximately 500 and 568 million tonnes for 2008 and 2009 respectively, accounting for approximately 38% and 46%, respectively, of the total global steel production for relevant period. Apart from the PRC, the other large players in the steel production industry include the EU27 countries, (which comprise of Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom), Japan, Russia and the United States.

The monthly production of the global crude steel has fluctuated since mid 2008 but showed a steadily upward trend. In particular, the monthly production of the global crude steel reached 120.3 million tonnes in March 2010, representing an increase of approximately 5.3% as compared with that of November 2009, being 114.2 million tonnes. Details are set out in the table below.

World Crude Steel: Monthly Production Trend



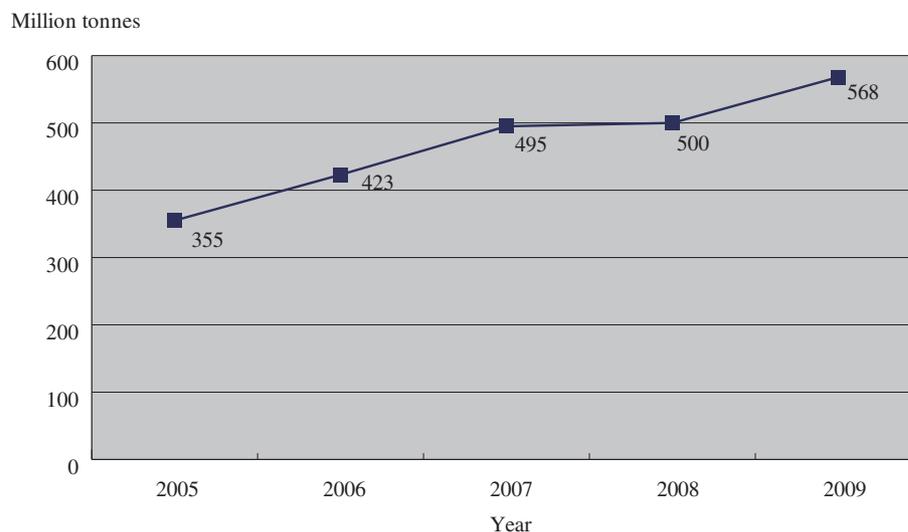
Source: ISSB quoting statistics compiled by the WSA

INDUSTRY OVERVIEW

(ii) PRC steel industry

As stated above, the PRC has remained the largest steel producing country in the world. According to the chart below, the crude steel production in the PRC has increased steadily in the past few years.

PRC crude steel production



Source: ISSB quoting statistics compiled by the WSA

As presented above, the crude steel production of the PRC increased to 568 million tonnes in 2009, representing a YoY increase of approximately 14% and a CAGR of approximately 12.47% during the period from 2005 to 2009.

For the first quarter of 2010, the country produced steel of 158 million tonnes, representing an approximately 24% increase as compared with that of the same period of 2009.

The monthly production of the crude steel in the PRC has increased steadily since 2004. In particular, the country recorded a new record monthly production of the crude steel of 55 million tonnes in March 2010, representing approximately 2.7 times of that of January 2004.

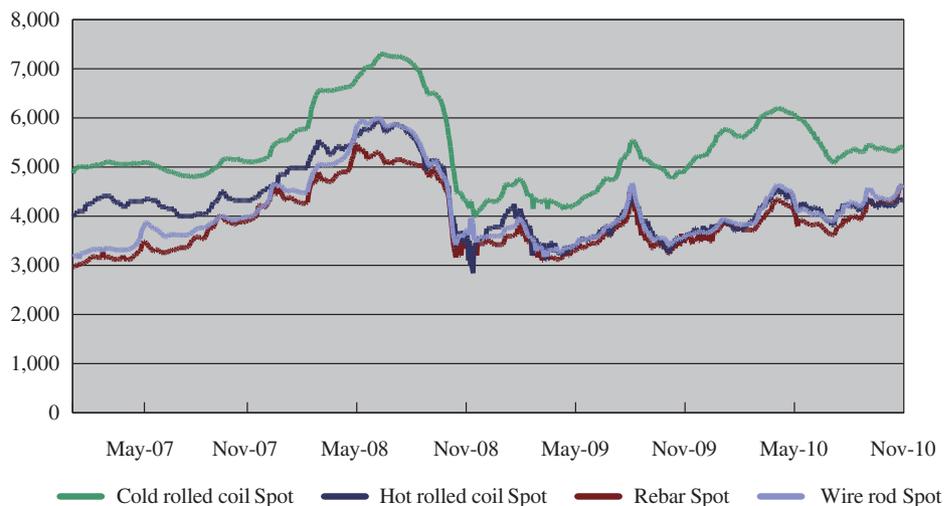
In addition to the country's position as the largest crude steel producer in the world, the PRC has also remained the world's largest steel exporter in each of 2008 and 2009 although it recorded a trade deficit in steel mill products in 2009. In particular, the PRC recorded a trade surplus of 40.8 million tonnes with exports of 56.2 million tonnes and imports of 15.4 million tonnes for the year of 2008 and a trade deficit of 0.3 million tonnes with exports of 21.7 million tonnes and imports of 22 million tonnes for the year of 2009.

INDUSTRY OVERVIEW

Statistics also shows that PRC has experienced monthly trade deficits in steel mill products in February 2009 for the first time since autumn of 2005, which was mainly due to the rising imports.

According to the estimation of ISSB, the apparent steel demand (which does not take into account for changes in stock levels) of the PRC increased by 25% in 2009 after combining the abovementioned 13% increase in the country's crude steel production and the trade deficit in steel in 2009.

Shanghai Steel Prices – RMB/t



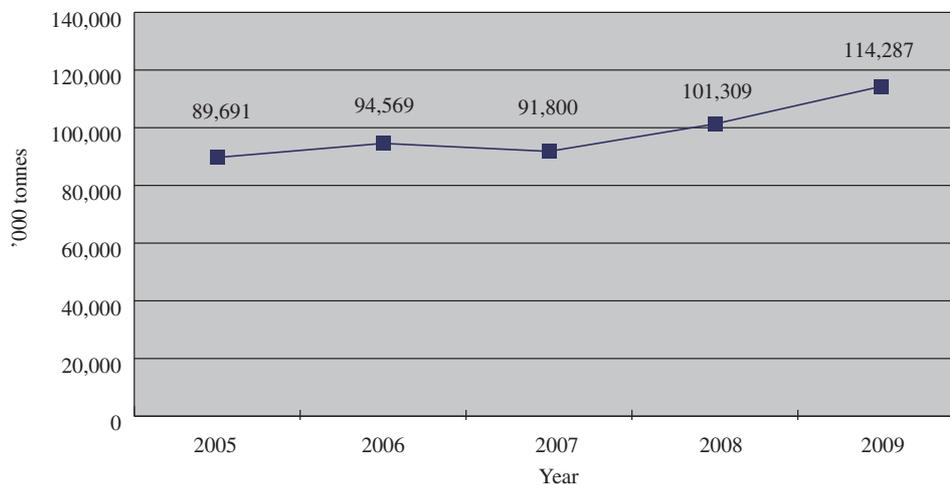
Source: Bloomberg

As shown in the above chart, steel price in the PRC has experienced substantial fluctuations in the past few years.

INDUSTRY OVERVIEW

(b) Global scrap trading

Global scrap steel export volume

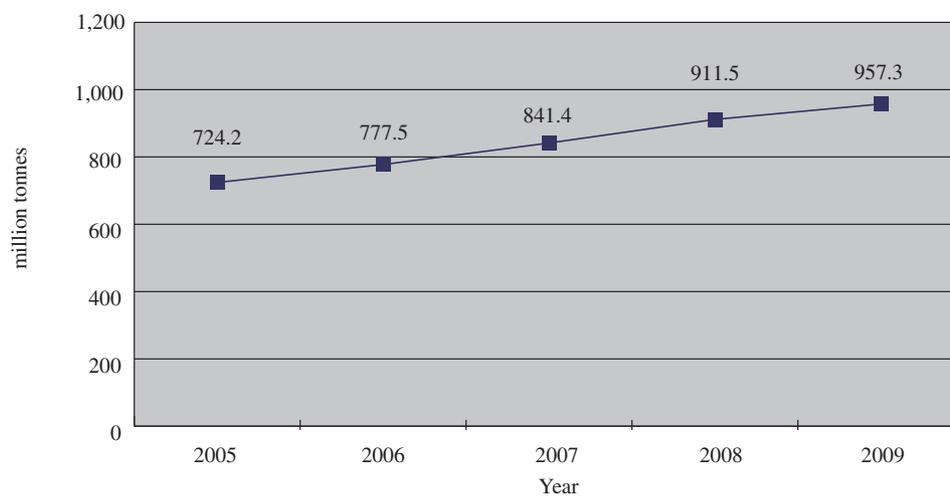


Source: Mysteel.com

As shown in the above chart, the global scrap steel export volume is approximately 89.7 million tonnes in 2005 and reached approximately 114.3 million tonnes in 2009, representing a CAGR of 6.18%.

(c) Global iron ore trading

Global iron ore export volume



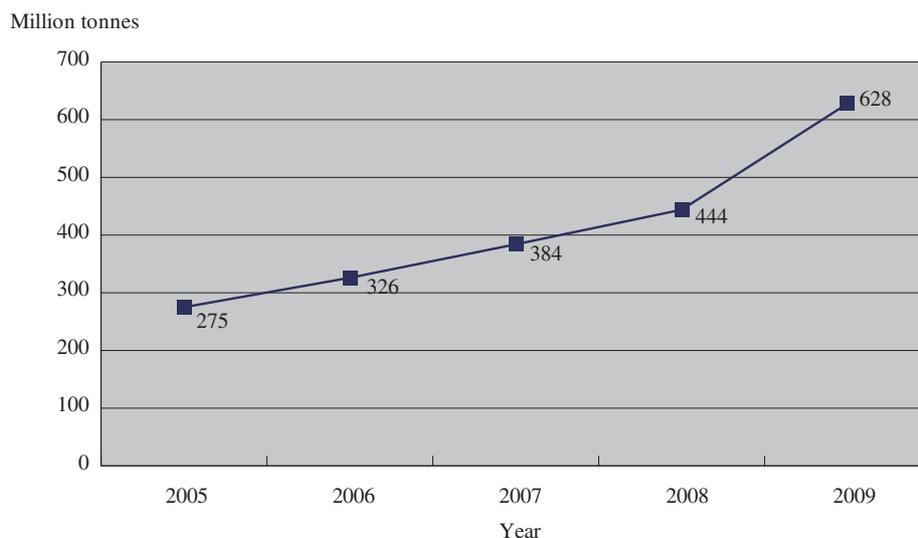
Source: Mysteel.com

INDUSTRY OVERVIEW

As shown in the above chart, the global iron ore export volume is approximately 724.2 million tonnes in 2005 and reached approximately 957.3 million tonnes in 2009, representing a CAGR of 7.23%.

In the global iron ore import market, the PRC dominates the import market. As illustrated below, the country imported iron ore of 628 million tonnes in 2009, representing a CAGR of approximately 22.93% during the period from 2005 to 2009.

PRC imports of iron ore



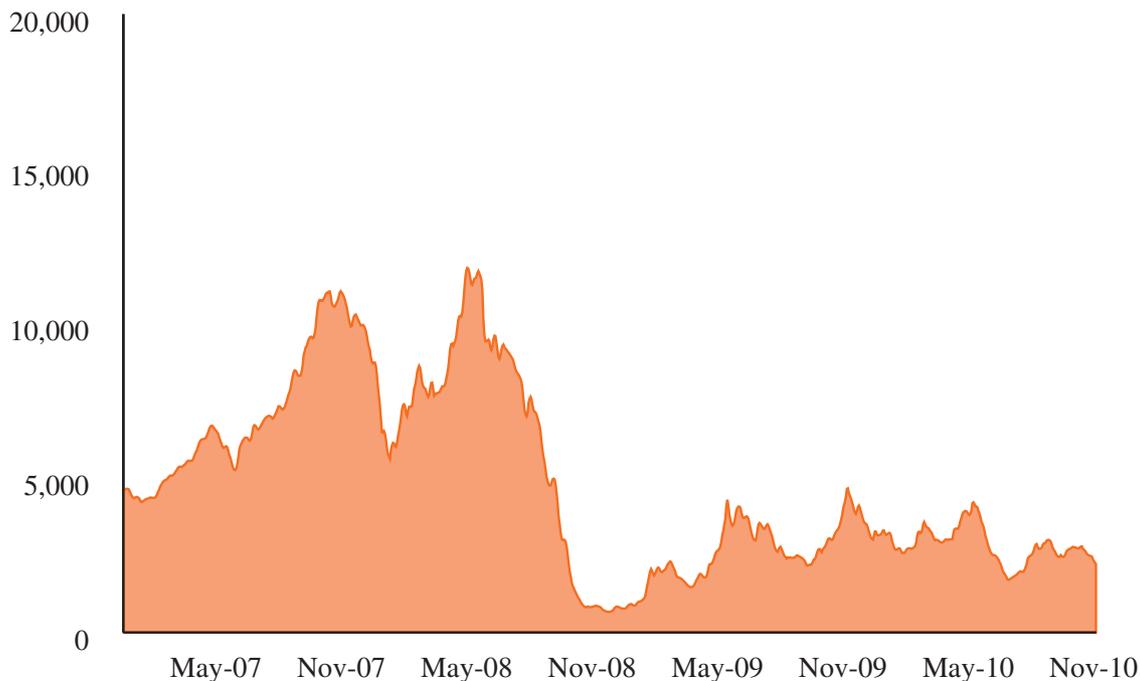
Source: ISSB

(d) Global shipping prices

The Baltic Dry Index (“BDI”) is a number issued daily by the London-based Baltic Exchange. Not restricted to Baltic Sea countries, the index tracks worldwide international shipping prices of various dry bulk cargoes. The index provides an assessment of the price of moving the major raw materials by sea. Taking in 26 shipping routes measured on a timecharter and voyage basis, the index covers Handymax, Panamax, Supramax and Capesize dry bulk carriers carrying a range of commodities including coal, iron ore and grain.

INDUSTRY OVERVIEW

Set out below is BDI for the past three years:



Source: Bloomberg

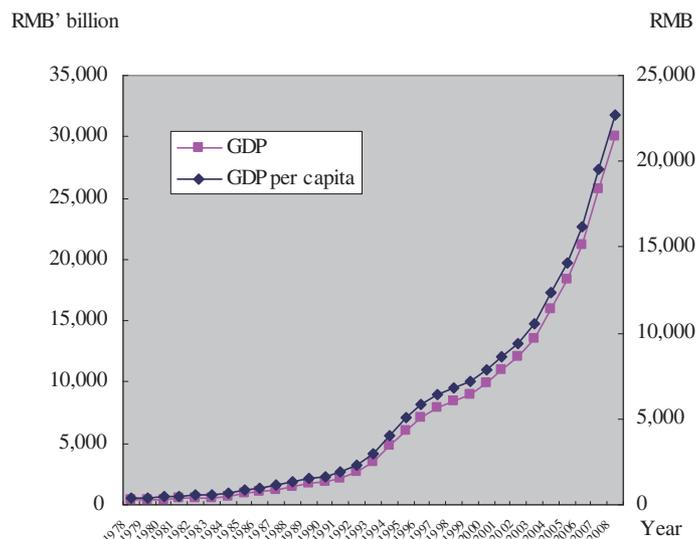
As shown in the above chart, BDI reached the highest point in May 2008 before the global economic crisis in late 2008. It was on a decreasing trend, hit the bottom in late 2008 and early 2009. Then increase and fluctuate within a narrow bend.

(e) The development of the steel and steel related industries in the PRC

The PRC has experienced fast economic growth since its economic reform launched in 1978 and thus attracted worldwide attention given its economic development momentum. For example, the country's GDP and GDP per capita rose from approximately RMB364.5 billion and RMB381 in 1978, respectively, to approximately RMB30,067 billion and approximately RMB22,698 in 2008, respectively, representing a CAGR of approximately 15.85% and 14.60%, respectively.

INDUSTRY OVERVIEW

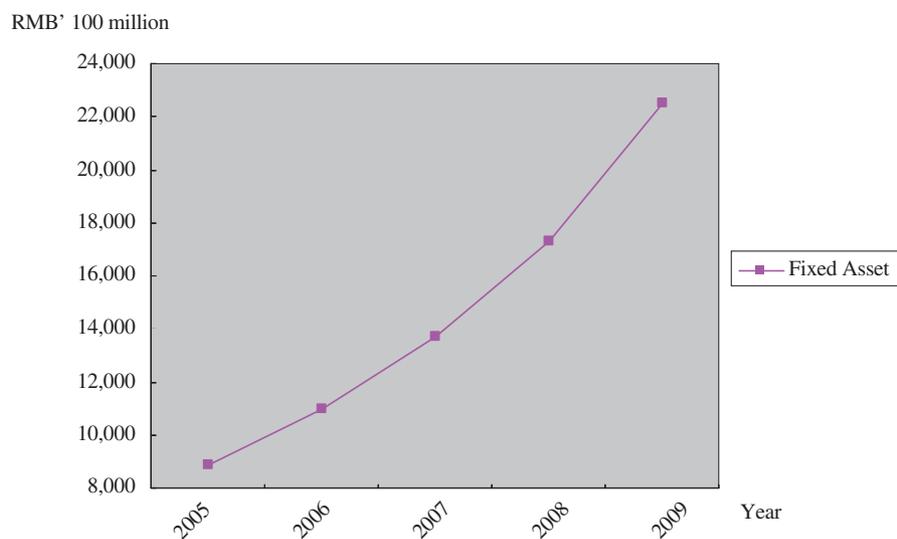
GDP and GDP per capita



Source: China Statistical Yearbook 2009

Fixed asset investments of the country have been rising in recent years. According to the statistics compiled by National Bureau of Statistics of China (“NBSC”), the investments in fixed assets in China (grouped by urban and rural areas) rose to approximately RMB22,485 billion in 2009, representing a YoY growth rate of 30.1%, a CAGR of approximately 18.86% for the period from 1995 (the year of which recorded investments in fixed assets of approximately RMB2,002 billion) to 2009 and a CAGR of approximately 26.15% for the more recent period from 2005 to 2009. The information regarding the annual total fixed assets investments in the PRC is set out below.

Annual Total Fixed Assets Investments in China

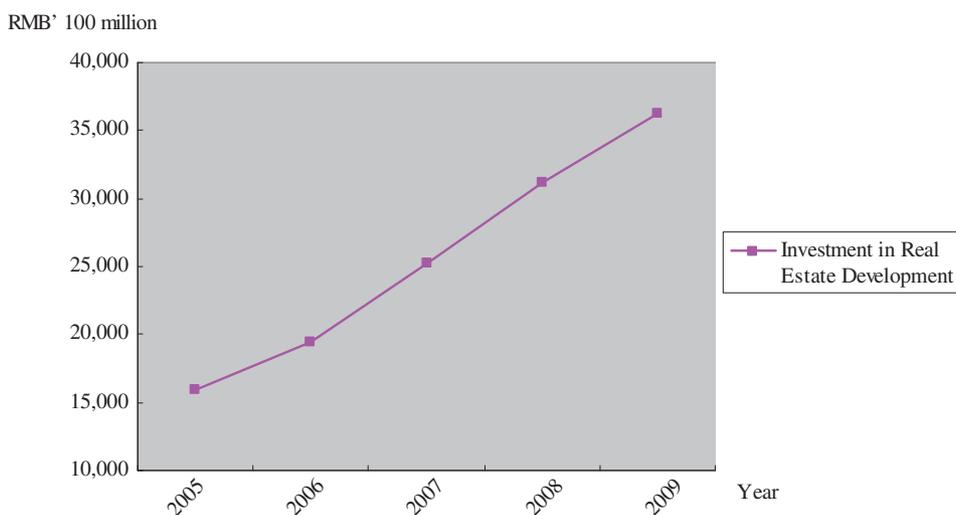


Source: China Statistical Yearbook 2009 and 2009 National Economic and Social Development Statistics Bulletin

INDUSTRY OVERVIEW

The spurt in fixed assets investments was mainly engendered by factors including, among others, the domestic economic expansion, the increase in consumer demand for, among others, electronics, automobiles and ships arising from favorable policies issued by the relevant governments, which included, amongst others, lowering purchase tax for automobiles, subsidizing the purchase of selected home appliances by rural households, and adjusting and revitalizing the shipbuilding industry. For example, there was a production of 13,795,000 automobiles in 2009, representing a YoY increase of 48.2%.

Investment in Real Estate Development



Source: China Statistical Yearbook 2009, 2009 National Economic and Social Development Statistics Bulletin

The investment in real estate development of the PRC has also showed an upward trend in recent years. According to the statistics compiled by NBSC, investments in real estate development rose to approximately RMB3,623 billion in 2009, representing a YoY increase of approximately 16.1%, a CAGR of approximately 22.48% during the period from 1997 (which recorded an amount of approximately RMB317.8 billion) to 2009, and a CAGR of approximately 22.85% for the more recent period between 2005 and 2009.

Given the above, particularly the economic development of the PRC and the rising fixed assets investments, it is expected that the domestic demand for steel and raw materials for steel making such as iron ore will be pushed up in the long term.

INDUSTRY OVERVIEW

OVERVIEW OF STEEL TRADING INDUSTRY

Edge of traders

World steel trading transactions are either effected by steel traders or carried out between suppliers and end-purchasers directly. The edge of steel traders in the industry are as follows:

- (a) Established steel traders have better sourcing capabilities as compared to suppliers and end-users of steel products to seek out and match demand and supply requirements;
- (b) Established steel traders are able to pool together the orders of several end-users and make purchases in bulk and enjoy economy of scale. Most steel mills are unwilling to meet orders of end users which are below a certain quantum as it is not cost-effective to the steel mills to customise their production specifications if the order is too small;
- (c) Experienced steel traders are more familiar with export, shipping, insurance and other logistics requirements and are able to add value to the sale and purchase transactions by the addition of such ancillary services to the supplier and the end-users; and
- (d) There are always imbalances on supply and demand on different kinds of steel products in different countries, due to changes in political and economic situation including incidences of active industry plunges in supply and demand. Experienced traders are needed to re-allocate resources due to such imbalances.

Industry landscape

Steel trading companies operate in a highly fragmented market. Each of the steel traders may operate only in their niche market with different products, supply sources and market areas.

Nature of competition

There is no reliable source of the Group's market share. The Group from time to time faces competition from different steel traders in isolated transactions where it happens to be selling the same or similar type of product to the same market. As such, the Group will have to compete with many other companies for both raw materials and sales of the end product. Competition for the sales of end product is based on its price and quality, the level of customer service and timely delivery. Should the Group fail to provide service to its customers to their satisfaction, the Group's financial performance might be adversely affected.

INDUSTRY OVERVIEW

Market entry barriers

The steel trading business requires vast amount of financing to fund the purchase of steel products and this serves as a barrier to entry for new market entrants in the steel trading industry. In addition, since steel trading business requires a high level of expertise in the areas of import, export, shipping, insurance and other logistics requirements and the business network and track records for sourcing and selling steel products worldwide, the Directors believe that these factors also serve as barriers to new market entrants in steel trading industry.

Future opportunities

The total production volume of crude steel in the PRC had been increasing from 2001 to 2009. However, the PRC had still been relying on imports of iron ore to satisfy its demand respectively. As a fast growing developing country, the Group believes that the demand in the PRC market for steel from overseas will remain strong in the future.

As the global market continues to improve in 2010, plus massive government stimulus packages and the recovery in Asian countries, especially the PRC, global steel demand also seems to recover accordingly.

According to figures from the National Bureau of Statistics, China produced 10.2 million crude steel in January and February 2010 rising 25.4% over same period of 2009. The World Bank has also raised its forecast of the PRC's GDP growth for 2010 from 8.7% to 9.5%.

The Hong Kong Government also announced to fast track 10 major infrastructure products which provides another good opportunity for prospects in the steel industry. The 10 major infrastructure projects, totaling some HK\$250 billion (about US\$32 billion), include a 29.6 km bridge linking nearby Zhuhai and Macau that will cut travel time from four hours to 30 minutes when completed. These construction projects are expected to be completed within the next few years. The Group anticipates that the construction of these new mega developments will boost the import of steel products within the building and construction sectors in Hong Kong, a trend that augurs well for the Group.

In short, these developments in the PRC and Hong Kong will likely provide a significant boost to the demand for steel and related raw materials, present immeasurable opportunities for the Group's steel trading and local distribution activities.

REGULATORY OVERVIEW

OVERVIEW OF PRC REGULATIONS

A. Establishment, Operation and Management of a Foreign Invested Enterprise (“FIE”)

The PRC Company Law (the “Company Law”), promulgated on December 29, 1993 and amended from time to time thereafter, is the principal law governing the establishment, operation and management of a company incorporated in China. The Company Law provides that where the laws on foreign investment have other stipulations, such laws shall prevail.

The establishment, operation and management of a wholly foreign-owned enterprise shall comply with the Wholly Foreign-owned Enterprise Law of the PRC (the “WFOE Law”), which was promulgated on April 12, 1986 and amended from time to time thereafter, and its implementation rules which was promulgated on December 12, 1990 and amended from time to time thereafter. The establishment, operation and management of an equity joint venture shall comply with the Sino-foreign Equity Joint Venture Law of the PRC (the “EJV Law”), which was promulgated on July 1, 1979 and amended from time to time thereafter, and its implementation rules which was promulgated on September 20, 1983 and amended from time to time thereafter. According to the WFOE Law, the EJV Law and their respective implementation rules, the establishment of a wholly foreign-owned enterprise or an equity joint venture in China is subject to the approval of the Ministry of Commerce at various levels. Such wholly foreign-owned enterprise or equity joint ventures shall obtain the business license and complete the tax and foreign exchange registrations with relevant tax or foreign exchange authority prior to its commencement of business operation.

Foreign investors and foreign-owned enterprises that conduct any investments in the PRC must comply with the Guidance Catalogue of Industries for Foreign Investment (the “Catalogue”), which was amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission on October 31, 2007. The Catalogue, as amended, became effective on December 1, 2007 and contains specific provisions that guide market access of foreign capital, which sets out in detail categories of industries where foreign investment is encouraged, restricted or prohibited. Any industry that is not listed in the Catalogue is a permitted industry.

B. Regulations on Importation and Exportation of Steel Products

In the PRC, there are licensing requirements for the importation of iron ore and scrap steel such that the end-purchasers without the relevant licences could not purchase the products directly from overseas suppliers.

Pursuant to the Measures for the Record-filing and Registration of Foreign Trade Operators effective on July 1, 2004, any foreign trade operator conducting the importation and exportation of goods (including the steel products) shall file and register with the Ministry of Commerce or its authorized agency.

REGULATORY OVERVIEW

According to the Administration of Registration of Declaration Entities promulgated by the General Administration on Customs in 2005, any recipient of the imported goods (including the steel products) or the consigner of the exported goods (including the steel products) shall register its customs declaration business with local customs office.

The PRC subsidiaries of the Group which currently conduct importation or exportation business have registered with relevant government authorities as required under the above-mentioned rules.

C. Regulations on Steel and scrap processing project

Environmental Protection

Steel and scrap processing industries are subject to various PRC environmental protection laws and regulations promulgated by the central and local governments. These laws and regulations set out environmental protection measures in construction projects, use, discharge and disposal of toxic and hazardous materials, discharge and disposal of waste water, solid waste and waste gases, and control of industrial noise. The Ministry of Environmental Protection is responsible for the overall supervision and administration of environmental protection in China. The laws and regulations that are material to our business include, among others, the Law of the PRC on Appraising of Environment Impacts and the Law of the PRC on Prevention and Control of Water Pollution.

According to the Law of the PRC on Appraising of Environment Impacts which came into effect on September 1, 2003, the PRC government has set up a system to appraise the environmental impact from construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of the environmental impact. If the construction project may result in a material impact on the environment, an environmental impact report of thoroughly appraising the potential environmental impact is required. If the construction project may result in a slight impact on the environment, an environmental impact record of analyzing or appraising the specific potential environmental impact is required. And if the construction project may result in minor impact on the environment, an environmental impact appraisal is not required but an environmental impact form shall be filed. The report is prepared by construction units and shall be approved by the relevant PRC authority before construction commences.

According to the Law of the PRC on Prevention and Control of Water Pollution effective on November 1, 1984 and revised on May 15, 1996 and February 28, 2008, respectively, new construction projects, expansion projects or reconstruction projects and other above-water facilities that directly or indirectly discharge pollutants to water shall carry out an appraisal regarding the pollutants' effects on environment according to law. Water pollution prevention facilities shall be designed, built and put into operation together with the main part of the project. The construction project can commence operation only after the environmental protection authority has examined and approved the water pollution prevention facilities.

REGULATORY OVERVIEW

Work Safety

According to the Production Safety Law of the PRC promulgated in June 2002, employers shall have effective workplace safety measures in place as stipulated in the law, administrative regulations, national standards and industrial standards. Any entity that fails to comply with may not engage in those operations. The design, manufacturing, installation, application, checking, maintenance, reforming and abandonment of safety facilities should follow the national standards or industrial standards. In addition, the employers should provide employees with protective equipments that meet national standards or industrial standards, and educate and supervise them in strictly complying with the production rules and regulations as well as operation procedures.

Labor Welfare

Pursuant to the Labor Contract Law of the PRC effective as of January 1, 2008, labor contracts shall be entered into if labor relationships are to be established between the employers and the employees.

Pursuant to the Interim Regulations concerning the Levy of Social Insurance effective as of January 22, 1999 and the “Interim Measures concerning the Management of the Registration of Social Insurance” effective as of March 19, 1999, employers in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees. According to the Regulation Concerning the Administration of Housing Fund implemented since April 3, 1999 and amended on March 24, 2002, employers in the PRC must register with the housing fund management centre. Employers will then be required to open relevant accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee’s average monthly salary in the previous year.

Product Quality

Pursuant to the Product Quality Law of the PRC as amended by the Standing Committee of the National People’s Congress on July 8, 2000 and implemented since September 1, 2000, a producer shall establish its own proper internal regulatory system for the management of product quality, strictly implement position-oriented quality standards, quality responsibilities and relevant measures for their assessment. A producer should be responsible for the quality of the products produced by it. The quality of the products is required to pass standard inspections.

D. Taxation

Corporate Income Tax

Corporate income tax in the PRC is governed by the PRC Enterprise Income Tax Law, promulgated by the National People's Congress on March 16, 2007 and effective on January 1, 2008. Enterprises and other organizations generating income within the PRC are subject to enterprise income tax at the rate of 25%. According to the PRC Enterprise Income Tax Law and its implementing rules, non-resident enterprises, which are enterprises established under foreign laws with their actual management entities outside the PRC and without offices or premises established in the PRC or without income generated associated with their offices and premises established in the PRC, are generally subject to enterprise income tax at a rate of 10% for their income generated within the PRC.

Business Tax

Business tax in the PRC is governed by the PRC Provisional Regulations on Business Tax. Enterprises and individuals that provide taxable services, transfer intangible assets or sell real estate within the PRC are subject to business tax at a rate of 3% or 5% of the amount of the taxable services or other transaction, except for the entertainment sector, the revenue of which is subject to the business tax at a rate of 5% to 20%.

Value-added Tax

Value-added tax, or VAT, in the PRC is governed by the PRC Provisional Regulations on Value-added Tax. VAT is payable on the sale or importation of goods and the provision of processing, repair and labor replacement services in the PRC. VAT is generally levied at the rate of 17%, however a rate of 13% is applicable to the sale or import of certain categories of essential goods. Exported goods are generally exempt from VAT.

Taxation on Dividend

According to the PRC Enterprise Income Tax Law and its implementing rules, non-resident enterprises that do not have a permanent establishment within the PRC are generally subject to enterprise income tax at a rate of 10% on any income generated within the PRC, including the dividend income declared and distributed by an FIE.

REGULATORY OVERVIEW

E. Foreign Exchange

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange, or the SAFE, under the authority of the People's Bank of China, or the PBOC, is empowered with the functions of administering matters relating to foreign exchange, including the enforcement of foreign exchange control. Foreign exchange in China is primarily regulated by the Foreign Currency Administration Rules, promulgated in 1996 and amended thereafter, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, promulgated in 1996.

PRC enterprises (including foreign invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign invested enterprises that need foreign exchange for the distribution of profits to their shareholders, may, on the basis of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

F. Regulation on Dividend Distributions

The principal regulations governing the distribution of dividends paid by a wholly foreign-owned enterprise or an equity joint venture includes the WFOE Law, the EJV Law and their respective implementation rules. Under the relevant PRC laws, the dividends may only be paid out of the accumulated distributable profits. A company may not make a dividend declaration and distribution before recovering its accumulated losses. Under the EJV Law and its implementation rules, an equity joint venture incorporated in China may declare and distribute the dividends only after it sets aside reserve funds, bonus and welfare funds for employees and development funds, at a percentage of the after-tax profits determined by the board at its discretion. Under the WFOE Law and its implementation rules, a wholly foreign-owned enterprise incorporated in China may declare and distribute dividends only after it sets aside reserve funds, in an amount equal to 10% of its after-tax profits of the preceding year (such funds may not be necessary to be set aside if it amounts to 50% of the registered capital), and bonus and welfare funds for employees at a rate determined by the board at its discretion.

OVERVIEW OF SINGAPORE REGULATIONS

A. Regulations and restrictions on operations

The business of each of Novo Overseas, Novo CPL and EBP does not require any licence, permit or approval for their operations in Singapore from any regulatory authorities under the laws of Singapore. During the past three financial years of Novo Overseas and up to the date hereof, there have been no regulatory restrictions, such as quota requirements, import or export licensing restriction that prevents end-purchasers or suppliers of steel products operating in Singapore from trading directly with Novo Overseas, Novo CPL and EBP.

REGULATORY OVERVIEW

B. Regulations and restrictions on distribution of profits and repatriation of capital

Subject to the payment of the applicable taxes described below, there is no restriction or time frame imposed on the reinvestment or repatriation of earnings and capital under the laws of Singapore, so long as there is no breach of any rule for international monitoring for countering money-laundering and terrorism.

C. Taxation

Under the laws of Singapore, a company will be taxed on any income accruing in or derived from Singapore or received in Singapore from outside Singapore regardless of the company's tax residence status in Singapore. A company regarded as being resident in Singapore is one whose businesses are controlled or managed in Singapore and is subject to income tax at a flat rate on its chargeable income. The prevailing corporate income tax rate in Singapore is 17%. Certain exemptions from income tax are applicable for up to the first S\$300,000 of normal chargeable income and full tax exemption on the first S\$100,000 of normal chargeable income for new companies is applicable when they meet certain qualifying conditions.

A non-resident is subject to income tax on Singapore-sourced income. Subject to any applicable tax treaty, non-resident taxpayers are subject to withholding tax on certain types of income that are derived from Singapore. The withholding tax rate differs according to the nature of income derived. In this regard, directors' remuneration and management fees are subject to withholding tax according to the prevailing corporate tax rate.

There is no estate, inheritance, succession or gift tax, rate, duty, levy or other charge of a similar nature payable by persons, including the Company, Novo Overseas, Novo CPL and EBP and each of their holding companies with respect to any shares, debt obligations or other securities of theirs and their respective businesses and operations.

D. Global trader programme

The International Enterprise Singapore ("IE Singapore") is the regulatory authority that approves the award of the Global Trader Programme ("GTP") status to companies which are well-established international players in their industry and responsible for international trading, procurement, distribution and transportation of qualifying commodities and products.

The grant of the status of GTP is subject to Section 43P of the Singapore Income Tax Act (Chapter 134) which provides that the Minister of Trade and Industry (the "Minister") may by regulations provide the applicable concessionary tax to be levied and paid for each year of assessment upon such income as the Minister may specify of an approved global trading company derived by it from such qualifying transactions in commodities or commodities futures as may be prescribed.

REGULATORY OVERVIEW

There are three general criteria a company must satisfy for the grant of GTP status:

- (a) substantial physical offshore trading turnover on a principal basis;
- (b) significant local business spending attributable to trading activities in Singapore;
and
- (c) employment of professional traders in Singapore.

However, satisfaction of the above criteria does not imply that a company will automatically be granted GTP status upon application. The assessment is also based on other ancillary factors such as:

- (i) the company's significant use of Singapore's banking and financial services;
- (ii) the company's significant use of Singapore's ancillary services, such as trade and logistics services, and trade institutes and trade arbitration services;
- (iii) the company's contribution to manpower training and the development of trading expertise in Singapore; and
- (iv) the company's overall business plan and economic contribution to Singapore.

The qualifying transactions include principal trades with offshore parties (i.e. non-Singapore domiciled) or other GTPs on both the buy and sell parts of the transaction. For example, an offshore party sells to GTP company A; GTP company A sells to either another offshore party or another GTP company B.

There are three types of qualifying physical trade:

- (a) offshore trade, in which goods does not pass through Singapore;
- (b) trans-shipment trade, which refers to process of transferring goods from one transport mode to another; and
- (c) re-export trade, in which only non-value added portion of trade is qualifying.

The list of qualifying commodities and products under the GTP will be reviewed periodically. Currently, they include:

- (i) petroleum and petroleum products;
- (ii) agricultural commodities and bulk edible products;
- (iii) building and industrial materials;

REGULATORY OVERVIEW

- (iv) consumer products;
- (v) industrial products;
- (vi) machinery components;
- (vii) metals and minerals; and
- (viii) electronic and electrical products.

OVERVIEW OF INDIA REGULATIONS

A. Rules and Regulations on steel and steel scrap trading

In India, the export of certain high grade iron ore are either restricted to government agents or subject to quantity limitations for supplies from certain areas in India. In addition, import of certain ferrous waste and scrap products to India are subject to general restrictions. However, these restrictions have no impact on the Group's business operations in India as the products traded by the Group are not subject to those restrictions.

B. Foreign Exchange laws

In India, foreign owned companies are required to comply with various laws and regulations applicable to Indian companies. Foreign owned companies enjoy freedom with regard to their business operations, appointment of directors, management decision etc. There is no specific law dealing with foreign owned Indian companies.

In India, management of foreign exchange is governed by Foreign Exchange Management Act, 1999 ("FEMA") and regulations framed thereunder.

C. Labour laws

Under Indian law, there are two main categories of employees, namely: workmen and non-workmen. Workmen are regulated under the Industrial Disputes Act, 1947 ("IDA") which deals inter alia with matters relating to payment of severance or retrenchment compensation to workmen. The definition of "workman" in the IDA includes all persons employed in any industry to do any manual, unskilled, skilled, technical, operational or clerical work. The definition however does not apply to: (a) persons engaged in supervisory work and drawing wages exceeding Rs. 10,000/- per month; and (b) persons exercising mainly managerial or administrative functions (collectively referred to as "non-workmen").

- 1.1 "Workmen" cannot be terminated/retrenched except in accordance with the provisions of the IDA, including but not limited to the payment of entrenchment compensation to the "Workmen" by the employer.

REGULATORY OVERVIEW

- 1.2 In addition to retrenchment compensation, the workman will be entitled to receive all terminal benefits to which he is entitled to under his contract of employment or under law, including encashment of unused leave, if any, provident fund and gratuity (the last being payable to employees who have completed five years of continuous service).
- 1.3 Non-workmen are governed by the terms of their contract and unless their contract provides for severance payment, they are not entitled to any such payment under the IDA. However, non-workmen will also be entitled to terminal benefits provided under their contract of employment or those provided by law (including gratuity, provident fund).

D. Taxation

Income tax, custom duties, central excise and sales tax and service tax are the main taxes levied by the Central Government of India. Value added tax, stamp duty, state excise and land revenue tax on profession are the principal taxes levied by the state governments.

Income Tax

Under the Indian Income Tax Act, 1961, any income generated by an Indian company anywhere in the world is taxable in India. The rate of tax for a company whose income in any given financial year is less than INR 10 million is 30% plus surcharge at 3% on the basic tax i.e. 3% of 30%. Thus the minimum tax on a company having income of less than INR 10 million, the rate of income tax is 30.9%. If the income is more than INR 10 million, the tax would be 30% plus surcharge at 7.5% plus an additional charge levied under the Indian Income Tax Act, 1961 (“education cess”) at 3% i.e. 30% plus 7.5% of 30% = 32.25%. Cess at 3% would be calculated on 32.25%. Thus the rate of tax would be at 33.2175%.

Service Tax

If the Indian company is providing service to any body/third party including its subsidiary or principal (holding company) the Indian company would be liable to pay service tax provided the total turnover of the Indian company is more than INR 0.8 million in a financial year.

Value Added Tax

Value added tax (VAT) is a state subject (as against income tax and service tax, which are central taxes) and each State has its own VAT Act. Subject to a minimum ceiling of intra-state turnover under the relevant State, an Indian company is liable to pay VAT on its taxable turnover at the rate prescribed in the said State. On inter-State turnover, tax is payable under the Central Sales Tax Act.

REGULATORY OVERVIEW

Dividend Distribution Tax

Dividend declared on foreign investments can be remitted freely to foreign investor(s) through an authorized dealer (bank) subject to payment of tax in India. Every domestic company incorporated in India is liable to pay a dividend distribution tax (DDT) at 15% on the amount declared, distributed or paid by such company to its shareholders by way of dividend. The effective rate of tax works out to 16.995% after surcharge and education cess. Shareholders are exempt from paying any tax on dividend received.

E. Product Liability

There is no legislation in India dealing specifically with product liability. The liability of a manufacturer lies mainly in tort (apart from specific contractual obligations, if any). In addition, the Consumer Protection Act, 1986 enables a consumer to file a complaint against a manufacturer for any defect or deficiency in the product. A consumer may also bring an action against a manufacturer for false or misleading statements regarding a product.

OVERVIEW OF LAWS AND REGULATIONS OF UAE

A. Establishment, operation and management of foreign invested companies in Dubai

A company established in the Free Zone known as the DMCC located in Dubai, UAE is governed by regulations of the DMCC Authority and the laws of the UAE.

B. Regulation on trading of steel products

A company which has been incorporated in the DMCC and which would like to trade in steel and metal products must obtain a licence for trading in steel and metal from the DMCC Authority and the business activities of such companies are limited to those specified in the scope the licence. The Group's subsidiary in Dubai, Novosteel DMCC, has acquired a valid licence for trading in steel and metals from the DMCC authority, the scope of which is appropriate to the current operations of the Group in Dubai.

C. Taxation

There are no individual nor corporate taxes in effect in UAE.

There are no estate, inheritance, succession or gift tax, rate, duty levy or other charge of a similar nature payable by persons, including Novosteel DMCC and the beneficial owner of Novosteel DMCC, with respect to any shares, debt obligations or other securities of Novosteel DMCC and the beneficial owner of Novosteel DMCC and their respective businesses and operations.

D. Foreign exchange regulations

There are currently no restrictions under UAE laws on remittance from Dubai to other jurisdictions subject to the relevant Central Bank restrictions such as those which relate to certain high risks countries.

REGULATORY OVERVIEW

E. Regulations on dividend distribution

Novosteel DMCC's dividend distribution policy should comply with Article 34 of the DMCC Company Regulations 2003 which states the following:

“34.1 A company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

34.1.1 the company is, or would after the payment be, unable to pay its liabilities as they become due; or

34.1.2 the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its share capital and share premium accounts.

34.2 For the purposes of this regulation, “contributed surplus” includes proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.”

HISTORY AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

The history of the Group began when its chief executive officer, Mr. Chow, established Novo HK in early 2005 with Ms. Ma Sau Ching, Tailianna (“Ms. Ma”), the spouse of Mr. Yu, the chairman of the Company who joined Novo HK later in 2005 by acquiring the 70% interest held by Ms. Ma. Since Mr. Yu joined the Group, the shareholding ratio of Mr. Yu and Mr. Chow in the Group has been approximately 70% and 30% until the completion of the Reverse Acquisition. After Mr. Yu’s joining, he steered Novo HK to focus on the business of international trading of steel products and their raw materials. The initial products traded by Novo HK were slabs, hot rolled coils, hot rolled plates and cold rolled coils. Subsequently, it expanded to include other products such as billets, deformed bars and wire rods. During the early stage of the development of the Group, the Group mainly sourced steel products from the PRC, Commonwealth of Independent States and South America for exporting to customers in Asia and Europe.

During the early stage of the development of the Group, it was the co-founders’ first mission in assembling and recruiting for the Group a team of experienced professionals in the trading and manufacturing of steel products and the related raw materials. In line with such mission, most of the existing senior management of the Group joined in 2006 and 2007. The appointment of these experienced personnel is integral to the growth and competitiveness of the Group as they possess in-depth knowledge of the business and the industry in which the Group operates, and understand the Group’s customers’ and suppliers’ needs and requirements.

The co-founders’ vision was to develop the Group into an integrated supply chain operator, emanating from its core steel trading operations, to cover the key services required by its suppliers and customers such as sourcing, processing, shipping, warehousing, financing and marketing services. They believe that this integrated service strategy will put the Group in a strong competitive position with its customers and suppliers as well as improve its operating margins.

The Group established its presence in Singapore with the incorporation of Novo CPL and Novo Overseas in 2005 and 2006 respectively. In 2007, Novo CPL was awarded the Global Trader Programme status for a period of five years from 1 May 2007 by IE Singapore which entitles Novo CPL to enjoy a concessionary tax rate of 10% on income derived from qualifying trade. For detailed information of qualifying trade, please refer to the section headed “Financial information” of this document. Apart from the Group’s operations in Hong Kong, PRC, Dubai, India and Singapore, as at the Latest Practicable Date, the Group has appointed agents who are located in 11 countries/regions with a view to serving its customers in different parts of the world. These countries/regions include South Korea, Japan, the Philippines, Vietnam, Thailand, Germany, Switzerland, Brazil, China, Singapore and Taiwan.

Pursuant to the distribution agency agreements entered into between the Group and the agents located in the said markets, the agents would introduce customers to the Group, liaise with customers for entering into contracts and handle the delivery of the products at the places where the agents are located in return for a distribution agency fee calculated based on the quantities of products distributed with the assistance of the agents.

HISTORY AND CORPORATE STRUCTURE

The key terms of these distribution agency agreements include (i) the payment of a distribution agency fee determined with reference to the actual quantity of products shipped to customers which are the subject of contracts concluded under the assistance of the agents; and (ii) that either party is entitled to terminate the distribution agency agreements by one month's prior written notice.

The Group established its presence in the Middle East with the incorporation of Novosteel DMCC in Dubai on 27 March 2007. Novosteel DMCC is principally engaged in trading of steel products to cope with the then expected demand for steel products in the Middle East region.

In October 2007, the Group carried out its first trade for raw materials in its international trading business by selling iron ore to its customer in the PRC. This trade was classified as international trading since the payment made to the supplier by the Group and the payment made by the customer to the Group were both made in US dollars.

On 10 March 2008, the Company completed the Reverse Acquisition of the then members of the Group for a consideration of S\$110.65 million, which consideration was satisfied by the allotment and issuance of 3,688,270,000 ordinary shares of the Company at an issue price of S\$0.03 per share of the Company to the vendors (the "Vendors"), being Mr. Yu and Mr. Chow and their nominee, New Page (being the existing Controlling Shareholder).

The basis of consideration for the Reverse Acquisition was mainly the valuation statistics of selected comparable companies which were then primarily engaged in the trading and distribution of metals and listed on the SGX-ST as indication of the then market expectations with regards to the valuation of these businesses. The consideration was equivalent to 10 times the audited net profit after tax of the then members of the Group on a combined basis for the financial year ended 30 April 2007 in US\$ based on the exchange rate of S\$/US\$ of 1.52, which was determined by reference to the spot rate of exchange for S\$/US\$ quoted on Bloomberg on 30 April 2007.

The Company was formerly known as Neocorp International Ltd. ("Neocorp"), a company incorporated in June 1989 and was listed on the SGX-ST in September 1996. As the Company then was unable to pay its debt, it was placed under judicial management in Singapore since 28 October 2005. Following the completion of the Reverse Acquisition on 10 March 2008, the Company reverted to a live status with effect from 11 March 2008 after the Judicial Managers were discharged and on 10 March 2008, the Company's name was changed from Neocorp International Ltd. to Novo Group Ltd. and the Group became listed on the SGX-ST and New Page became the Controlling Shareholder of the Company. Before the Reverse Acquisition, the Group and its connected persons did not have any relationship, directly or indirectly, with Neocorp and its connected persons. After the Reverse Acquisition, the Group has not assumed any liabilities of Neocorp.

On 31 July 2007, Neocorp entered into a convertible loan agreement ("Convertible Loan Agreement") with the Vendors for the subscription and issue of convertible loan notes for an aggregate principal amount of up to S\$3,000,000, and the Vendors were to extend a loan of up to S\$3,000,000 to Neocorp to fund its payment of professional fees and costs and expenses associated with the Reverse Acquisition.

HISTORY AND CORPORATE STRUCTURE

The Convertible Loan Agreement stipulates that the Vendors had the option to convert all or part of the convertible loan into 100,000,000 fully paid new ordinary Shares in Neocorp within 7 business days from the issuance of the written notice by Neocorp to the Vendors informing them of the successful completion of the Reverse Acquisition. Except this, there were no special rights attached to the Shares issued and such Shares rank pari passu with the then ordinary Shares in issue after the conversion.

Before the Reverse Acquisition, on 2 August 2006, a conditional sale and purchase agreement (“Tritech Agreement”) was entered into between Neocorp and Tritech International Holdings Pte Ltd (“Tritech”), a company incorporated in Singapore. Pursuant to the Tritech Agreement, a loan of S\$520,000 was extended by Tritech to Neocorp (“Tritech Loan”). The Directors confirmed that there was no relationship between Tritech and the Group and its connected persons.

To settle the Tritech Loan, Neocorp allotted and issued to Tritech an aggregate of 5,350,000 new Shares at the conversion price of S\$0.03 per Share, representing the partial conversion of equivalent to S\$160,500 of the Tritech Loan into the Shares.

There were no special rights attached to the Shares issued under the Tritech Loan and such Shares rank pari passu with the then ordinary Shares in issue after the scheme of arrangement.

The extension of the Tritech Loan was pursuant to the Tritech Agreement on the date before the Reverse Acquisition. As such, no further related information is available to the new management.

In August 2008, the Group planned to further expand its business to scrap steel processing in the PRC. The Group, through its then 45% owned associated company, Iron And Steel Resources Limited (the then remaining 55% interest of which was owned by Mr. Lin and Mr. Ji Naxin as to 45% and 10% respectively), formed Xintong (Taizhou), a wholly foreign owned enterprise in the PRC, for engaging in the scrap steel processing project (“Previous Taizhou Project”). In view of the fact that the definitive terms and conditions (including the price of the land for the construction of the processing centre and the tax incentive) imposed by the relevant PRC governmental authorities were more stringent than the original understandings and expectations of the Group, in particular, in respect of the investment commitment requirements, the Group decided not to participate in the Previous Taizhou Project then and thus no specific agreement was entered into by relevant parties in relation to the Previous Taizhou Project. Accordingly, the Group has never injected any funding into the registered capital of Xintong (Taizhou). For this reason, in April 2010, the Group disposed of its entire interest in Iron And Steel Resources Limited to Mr. Lin, who held the then remaining 45% interest in Iron And Steel Resources Limited, at the consideration of HK\$5,500 which was the par value of the shares in Iron And Steel Resources Limited. Xintong (Taizhou) had not yet commenced operation since its incorporation. Mr. Lin, who is currently the sole ultimate shareholder of Xintong (Taizhou), is also one of the investors in the scrap steel processing business in Taizhou, the PRC (the “Taizhou Project”) as more particularly described in section

HISTORY AND CORPORATE STRUCTURE

headed “Future plans” of this document. Although the Group decided not to participate in the Previous Taizhou Project, the Directors consider that the future prospects of scrap steel processing in the PRC are still promising. In view of this, in May 2010, the Group signed a legally binding memorandum of understanding (“MOU”) with Mr. Lin, Select Best Limited (“Select Best”) and Wealthy Dragon Investments Limited (“Wealthy Dragon”), both of which are controlled by Mr. Lin, whereby the Group was granted a right of first refusal for the acquisition of up to 60% shareholding (“Sale Shares”) in Select Best, which was intended to be the ultimate holding company for investing in a PRC company which is planned to engage in the Taizhou Project, at a consideration of US\$6. As at the Latest Practicable Date, the Company has not exercised the right of first refusal to subscribe for the Sale Shares as the mode and terms of investment in the Taizhou Project are currently still under discussion with the local governmental authorities. Accordingly, the Group has not yet incurred any cost in the Taizhou Project. According to the MOU, there is no time limit for the Group to exercise the right of first refusal for the subscription of the Sale Shares. The Board has obtained Shareholders’ approval on exercising the right of first refusal at the extraordinary general meeting of the Company held on 27 August 2010.

Before the disposal by the Group of the 55% equity interest in Iron And Steel Resources Limited to Mr. Lin in April 2010, in January 2010, the Group had acquired an additional 10% equity interest in Iron And Steel Resources Limited from the then shareholder Hua Xin Business Consultancy Limited holding on trust for and on behalf of Mr. Ji Naxin and its shareholding in such company thereby increased from 45% to 55%. The reason for this increase in shareholding was in line with the Group’s preference of owning a controlling interest in enterprises invested by the Group. The Group initially accepted to own only 45% equity interest in Iron And Steel Resources Limited in order not to delay the investment in the Previous Taizhou Project as mentioned above. Subsequently, the Group acquired an additional 10% equity interest from Hua Xin Business Consultancy Limited so as to enable the Group to acquire a controlling interest in the then proposed investment in a scrap steel processing plant. The total consideration paid for the purchase of the additional 10% equity interest was HK\$1,000.

As a strategic move, the Group has also formed the following joint ventures with its business partners and a new subsidiary with a view to further develop its business:

- (a) in September 2008, the Group, together with 上海浩鋼工貿有限公司 (unofficial English translation being Shanghai Hao Gang Trading Co., Ltd.) (“Original PRC JV Partner”), an independent third party, established Qianghua (Shanghai) to engage in the distribution and sale of steel products in the PRC. In June 2009, the Original PRC JV Partner transferred its equity interest in Qianghua (Shanghai) to Shanghai CRQ. As at the Latest Practicable Date, Qianghua (Shanghai) was owned as to 80% by the Group and 20% by Shanghai CRQ;
- (b) in January 2009, the Group established Novo (TJ) as a wholly-foreign owned enterprise in Tianjin, the PRC with a total investment and a registered capital of US\$17,100,000 and US\$8,570,000 respectively. The approved scope of operation of Novo (TJ) includes processing and sale of steel products;

HISTORY AND CORPORATE STRUCTURE

- (c) in July 2009, the Group, together with Thomson Steel Company Limited, an independent third party, established Novo Steel (HK) to engage in the distribution and sale of steel products in Hong Kong. As at the Latest Practicable Date, Novo Steel (HK) was owned as to 51% by the Group and 49% by Thomson Steel Company Limited; and
- (d) in September 2009, the Group, together with Oscar Maritime International Limited, an independent third party, established EBP to engage in the provision of chartering services. As at the Latest Practicable Date, EBP was owned as to 70% by the Group and 30% by Oscar Maritime International Limited.

The Directors confirmed that other than Xintong (Taizhou), Zhangjiagang Xinghua (as defined below) and Zhangjiagang Xingyongda (as defined below), each of the subsidiaries of the Company established in the PRC has paid up their respective registered capital in accordance with the terms of their respective articles of association.

Before the global financial crisis in late 2008, the Group's market sectors were divided into different areas including Europe, India and Middle East, South East Asia and North Asia (including PRC). Due to the global financial crisis, all except the PRC economy were slowed down while the PRC government had launched various stimulus packages with a view to stimulate the economy which benefited the production of and demand for steel products. For this reason, the Group has decided to strategically reposition itself as an international steel trader sourcing steel products, in particular, iron ore for resale to customers in the PRC.

Given the principal activities of the Group and the Group's vision to develop into an integrated supply chain operator to provide an integrated service related to steel trading, the Group consider the steel and scrap steel processing business as a strategic part of the supporting services which is ancillary and will augment its core steel trading activities.

The Board believes that the expansion plans as more particularly described in the section headed "Future plans" in this document can add value to the Company and bring benefits to the Shareholders in the long run as it is not only complementary to the Group's existing business, but also has good growth potential.

In particular, it is expected that the Taizhou Project is able to leverage on the core expertise of the Group in global steel trading and distribution, including the Group's strong networks with banks and financiers which help in sourcing financing, the Group's strong networks with PRC and overseas steel mills. The Group can supply raw materials for the proposed scrap steel processing plant and the Group's network of customers can also become the potential customer base for the proposed scrap steel processing plant. The Group's familiarity with the entire supply chain of steel products from raw material, semi-finished products to finished products would be important for the Taizhou Project.

On the other hand, the Taizhou Project is expected to complement and help to increase the existing core steel trading activities of the Group as it will provide a new source of steel products for the Group to sell to its customers.

HISTORY AND CORPORATE STRUCTURE

On 5 January 2009, the Group deregistered an indirect wholly-owned subsidiary, 張家港興華剪切加工有限公司 (unofficial English translation being Zhangjiagang Xinghua Slitting & Cutting Co., Ltd.) (“Zhangjiagang Xinghua”). On 5 February 2009, the Group deregistered another indirect wholly-owned subsidiary, 張家港保稅區興永達國際貿易有限公司 (unofficial English translation being Zhangjiagang Free Trade Zone Xingyongda International Trading Co., Ltd.) (“Zhangjiagang Xingyongda”). The Group did not pay up any registered capital of these two subsidiaries.

In September 2009, Novo (TJ) entered into a Land Use Right Grant Contract of Tianjin with Tianjin Economic Technological Development Area Construction Development Bureau for purchase of a piece of land of 25,000 square meters in Tianjin Economic Technological Development Area Western District to develop a steel processing centre which is expected to handle 100,000 tonnes hot-rolled coil and 100,000 tonnes cold-rolled coil to be cut, slitted and packed for distribution in local market. The construction of the plant and the installation of equipments is expected to complete within the first half of 2011.

On 25 September 2009, Xinghua Holdings (China) Limited (a wholly-owned subsidiary of the Group before the dissolution) was voluntarily dissolved by the Group because Xinghua Holdings (China) Limited was originally incorporated by the Group in Hong Kong in 2007 as an investment vehicle of Zhangjiagang Xinghua and Zhangjiagang Xingyongda. Due to the worsened market situation, Xinghua Holdings (China) Limited decided not to inject registered capital to these two PRC companies and deregistered these two PRC companies on 5 January 2009 and 5 February 2009 respectively. The Group did not pay up any registered capital of these two PRC companies before the deregistration. Since these two PRC companies were deregistered, the Group decided to apply for a deregistration of Xinghua Holdings (China) Limited. The Directors confirm that there is no outstanding claims and liabilities to the Group and the Directors in respect of the dissolution of the two PRC companies and Xinghua Holdings (China) Limited.

Other than Xintong (Taizhou), Zhangjiagang Xinghua and Zhangjiagang Xingyongda, the Group has paid up the respective registered capitals required to be paid and any increased registered capitals required to be paid of the companies comprising the Group in the required manner and within the required timeframes in accordance with the terms of their respective articles of association.

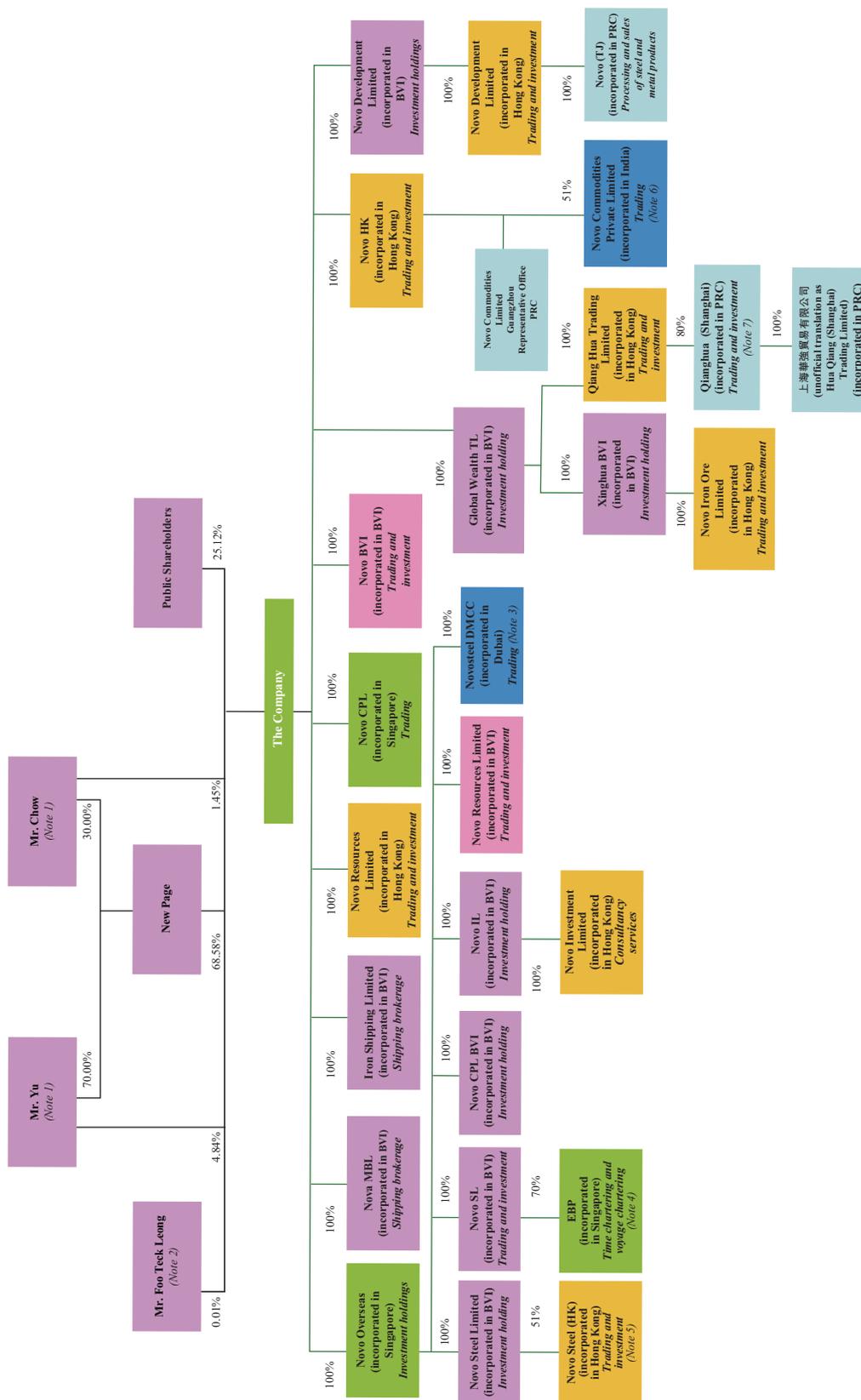
In addition to the trading of steel products, the Group commenced, during FY2010, to engage in the trading of coal and the provision of chartering services to its customers. In view of the fact that the relevant time charter agreement expired in April 2010 and the recent increase in chartering rate, the management has not chartered new vessels for the time being.

The Company allotted and issued 51,841,000 new Shares on 21 January 2010 and sold 8,159,000 treasury shares of the Company on 14 January 2010 (“First Placement”). The net proceeds from the First Placement amounted to approximately S\$13.3 million. On 31 March 2010 and 12 April 2010, the Company sold 18,000,000 treasury shares and 10,000,000 treasury shares respectively (“Second Placement”). The net proceeds from the Second Placement amounted to approximately S\$6.2 million. As at the Latest Practicable Date, the Group has fully utilised the net proceeds from the First Placement and the Second Placement for the purpose of working capital for its trading business and projects relating to products used in the steel industries.

HISTORY AND CORPORATE STRUCTURE

SHAREHOLDING AND GROUP STRUCTURE

Set out below is the corporate structure of the Group and the shareholding structure of the Company as at the Latest Practicable Date:



HISTORY AND CORPORATE STRUCTURE

Notes:

1. Each of Mr. Yu and Mr. Chow is an executive Director.
2. Mr. Foo Teck Leong is an independent non-executive Director. Mr. Foo Teck Leong first became a shareholder of the Company on 18 December 2009 by purchasing the Shares on SGX-ST.
3. The entire issued share capital of Novosteel DMCC is held by Mr. Yu and Mr. Chow on trust for Novo Overseas. Such trust arrangement commenced from the completion of the Reverse Acquisition because at that time, there was restriction in transferring 100% shareholding in Novosteel DMCC in one single transaction. As advised by the Company's legal advisers as to UAE laws, such trust arrangement does not contravene UAE laws.
4. The minority shareholder of EBP holding 30% shareholding is Oscar Maritime International Limited, which is a company principally engaged in chartering and operation of vessels in Singapore and an independent third party.
5. The minority shareholder of Novo Steel (HK) holding 49% shareholding is Thomson Steel Company Limited, which is a company principally engaged in import, distribution and sale of various kinds of steel products in Hong Kong and an independent third party.
6. Originally, the Group held 51% interest in Novo Commodities Private Limited and the then minority shareholders Sanjay Sharma and Raypeet Singh Kalha, both were independent third parties, were holding, in aggregate, 49% interest. On 2 August 2010, the Group and such minority shareholders executed the relevant share transfer documents by which the Group had acquired such 49% equity interest at an aggregate consideration of INR 588,000 (which was based on the financial performance and financial position of Novo Commodities Private Limited) and thereby increased its shareholding from 51% to 100%. The said share transfer documents would become effective as at the Latest Practicable Date subject to the same being submitted for registration at the relevant authority in India.
7. The minority shareholder of Qianghua (Shanghai) is Shanghai CRQ, a limited liability company incorporated in the PRC and owned as to 80% by Mr. Ji Naxin and as to 20% by Madam Pan Lin, the spouse of Mr. Ji Naxin. Mr. Ji Naxin is a director of Qianghua (Shanghai). Qianghua (Shanghai) is principally engaged in the distribution and sales of steel products in the PRC.

BUSINESS

OVERVIEW

The Group is principally engaged in trading and distribution of steel products and their raw materials. In November 2009, the Group has expanded its product range to include coal. The trading and distribution operation of the Group is separated into and operated under two business segments (i) international trading (where the principal places of operations are Hong Kong and Singapore); and (ii) domestic trading and distribution (where the principal places of operations are Hong Kong and the PRC).

For international trading conducted by the Group, the goods are sourced from and sold to different places around the world (including the PRC) and L/C is frequently the agreed method of settlement for both sides where payments by the Group to its suppliers and payments by the customers to the Group are principally made in US dollars regardless of where the goods are sourced from or sold to. The principal operating subsidiaries of the Company to perform international trading are Novo CPL and Novo HK.

For domestic trading and distribution conducted by the Group, unlike that of international trading, payments of sales are made to the Group by the customers in local currencies of the places where the products are sold, in particular, Hong Kong dollars (where sales are made in Hong Kong) or RMB (where sales are made in the PRC) during the Track Record Period.

The principal operating subsidiaries of the Company to perform domestic trading and distribution are Novo Steel (HK) and Qianghua (Shanghai) where these operating subsidiaries sell steel products in Hong Kong and the PRC respectively in which payments of sales are made in Hong Kong dollars (where sales are made to Hong Kong) or in RMB (where sales are made in the PRC).

The table below sets forth the breakdown of the Group's revenue from international trading, domestic trading and distribution and provision of chartering services during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
International trading	479,969,874	100.00	523,552,754	99.97	362,233,794	89.88	102,610,247	98.92	102,110,496	87.13
Domestic trading and distribution	-	-	139,599	0.03	35,826,762	8.89	1,124,124	1.08	15,081,616	12.87
Provision of chartering services	-	-	-	-	4,962,864	1.23	-	-	-	-
Total:	<u>479,969,874</u>	<u>100.00</u>	<u>523,692,353</u>	<u>100.00</u>	<u>403,023,420</u>	<u>100.00</u>	<u>103,734,371</u>	<u>100.00</u>	<u>117,192,112</u>	<u>100.00</u>

BUSINESS

INTERNATIONAL TRADING AND DOMESTIC TRADING AND DISTRIBUTION

Steel trading and distribution

The Group supplies steel products and related raw materials to its customers, including steel mills and end users. The Group has the capability of directly sourcing in bulk quantities from steel mills and at the same time, assist such steel mills in sourcing related raw materials. The Group's trading activities play an important role in the steel industry by sourcing resources within the steel industry from countries with overall cost competitiveness to supply to customers in different key markets who are in need of the relevant resources.

With respect to customers, the Group's trading activities usually involve sourcing products, arranging for insurance services and related logistics services, and delivering the products to customers' designated locations. With respect to suppliers, the Group's trading activities usually involve marketing, arranging for insurance services and related logistics services to pick up and deliver the required products to customers' designated locations.

Coal trading

In November 2009, the Group started to engage in trading of coal. The Group has sourced coal from two mining companies in Indonesia, one of which is engaged in the mining and trading of minerals and the other is a mining contractor which also conducts coal trading and transshipment business. During the Track Record Period, revenue from the Group's coal trading only represented an insignificant amount to the Group's revenue.

The table below sets forth the breakdown of the Group's revenue by nature of the income during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
Sale of steel products	479,969,874	100.00	523,692,353	100.00	388,087,008	96.29	103,734,371	100.00	113,768,086	97.08
Sale of coal	-	-	-	-	9,973,548	2.48	-	-	3,424,026	2.92
Provision of chartering services	-	-	-	-	4,962,864	1.23	-	-	-	-
Total:	<u>479,969,874</u>	<u>100.00</u>	<u>523,692,353</u>	<u>100.00</u>	<u>403,023,420</u>	<u>100.00</u>	<u>103,734,371</u>	<u>100.00</u>	<u>117,192,112</u>	<u>100.00</u>

BUSINESS

The table below sets forth the breakdown of the Group's revenue by product type during the Track Record Period:

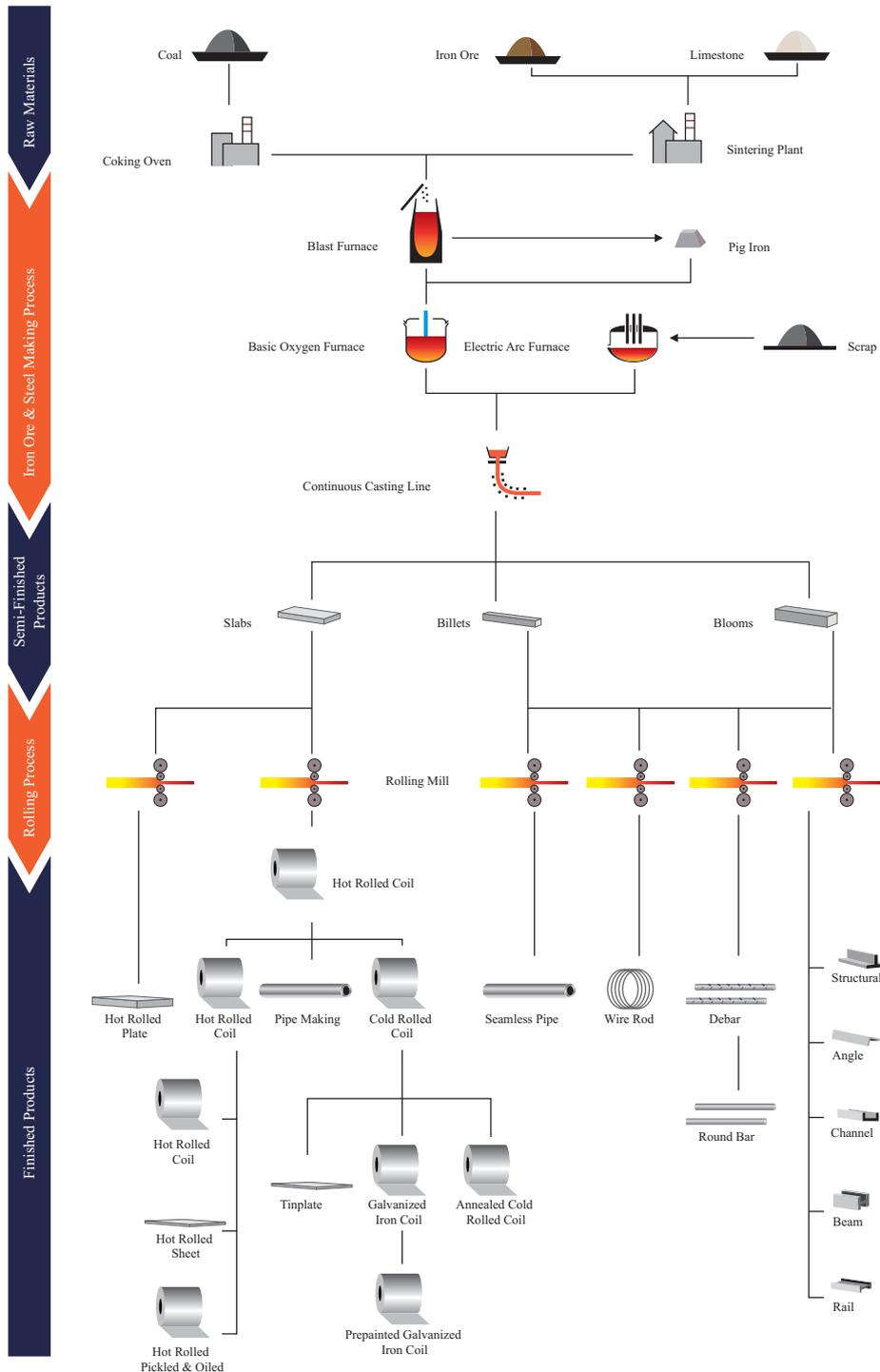
	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
				(Unaudited)	
Sale of steel products and coal					
Raw materials	88,862,275	113,739,592	239,219,724	81,053,703	71,742,621
Semi-finished products	59,360,898	143,810,577	60,276,455	–	15,160,736
Finished products	331,746,701	255,171,501	97,798,123	22,680,668	29,908,963
Others (<i>Note</i>)	–	10,970,683	766,254	–	379,792
Provision of chartering services	–	–	4,962,864	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total:	<u>479,969,874</u>	<u>523,692,353</u>	<u>403,023,420</u>	<u>103,734,371</u>	<u>117,192,112</u>

Note: Others include special and coated products.

Products traded

The following simplified steel production flow chart illustrates that the steel products and their raw materials traded by the Group are being consumed in different stages of steel production from raw materials, iron ore and steel making process, rolling process and finally to finished products:

SIMPLIFIED STEEL PRODUCTION FLOW CHART



BUSINESS

The steel products and their raw materials actively traded or intended to be actively traded by the Group include but not limited to:

(I) *Steel products*

- (a) **Raw materials** such as iron ores, pellets, scraps and pig irons which are generally used for producing semi-finished or finished steel products, such as billets, blooms and slabs etc.

Iron ore – Iron ore is used for making steel and includes rocks and minerals, from which metallic iron can be extracted.

Pellet – The formation of pellet, known as the conversion of iron ore, is produced in an appropriate band of sizes and with mechanical properties high enough to maintain its usefulness during the stresses of transference, transport and use.

Scrap – Steel scrap is recycled to produce new steel and cast-iron products.

Pig iron – Pig iron, the iron material extracted from the sintered ores in the iron smelting process, is poured from a smelting furnace. It has high carbon content, typically 3.5 to 4.5%, but is brittle and with applications in electric arc furnace.

- (b) **Semi-finished products** such as billets and slabs which are generally used for producing wire rods, deformed steel bars, hot rolled plates and hot rolled coils.

Billet – Billet is a solid round or square semi-finished product. After further hot rolling, it can be made into “profiles” such as beams, channels, angles and flats, and bars (such as deformed bars, round bars and wire rods), all of which are essential construction and fabrication materials.

Slab – Slab can be processed into steel coils and plates after further hot rolling.

The Group’s customers for semi-finished products are mainly re-rolling mills who mainly buy billets for rolling long products and slabs for rolling flat products.

- (c) **Finished products** comprising:

- (i) long products such as deformed bar, wire rod, tube, section, angle and channel; and

BUSINESS

- (ii) flat products such as hot rolled coil, hot rolled plate, cold rolled coil and cold rolled sheet.

Such finished products are generally used for heavy industries, construction and/or electrical appliances.

Hot rolled coil – Hot rolled coil is produced through the process of hot rolling and is produced in varying thicknesses according to specification. For storage and transportation, it is turned into coil form before further shearing into plates and strips for further processing in various industries.

Cold rolled coil – Cold rolled coil is manufactured from hot rolled steel coil by re-rolling and cooling of hot rolled sheet. It is used extensively in the automobile industry and for household appliances.

Hot rolled plate – Hot rolled plate is steel plate manufactured from the process of hot rolling and is produced in varying thickness and sizes according to specification. It is widely used in the construction and shipbuilding industries.

Deformed bar – Deformed bar, also known as reinforcing bar or rebar, are manufactured from the process of hot rolling and is widely used in the construction industry.

Wire rod – Wire rod is manufactured from the process of hot rolling and is used in the construction industry. It can also be further processed to produce nail, wire, PC wire, steel cord amongst others.

The Group's customers for finished products are mainly in industries such as construction, property development or are end users of different industries including automobile, shipbuilding, electrical appliances, importers, distributors, stockists, processing factories or steel decoiling centres.

- (d) **Special and coated products** such as galvanized steel coils, pre-painted galvanized steel coils and tinplates which are generally used for general construction, electrical appliances, automobile, shipbuilding and other heavy and light industries.

(II) Coal

- (a) *Steam coal* – Steam coal is a raw material used for generating power in power plants and steel plants.
- (b) *Coking coal* – Coking coal is used as a fuel material for the manufacturing of steel.

The Group's customers for coal come from different industries, including integrated steel mills and rolling mills.

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MARKET

The principal market of the Group during the Track Record Period was the PRC, which sales to the PRC amounted to approximately US\$88.9 million, US\$155.5 million, US\$259.4 million and US\$73.3 million for each of FY2008, FY2009, FY2010 and 1QFY2011 respectively, representing approximately 19%, 30%, 64% and 63% of the total revenue of the Group.

The table below shows the breakdown of the Group's revenue by geographical location during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
North Asia <i>(Note 1)</i>	138,865,375	28.94	161,854,055	30.91	286,418,253	71.07	90,156,489	86.91	88,091,419	75.17
South East Asia <i>(Note 2)</i>	157,444,568	32.80	183,198,579	34.98	116,503,127	28.91	13,577,882	13.09	25,337,402	21.62
India and Middle East <i>(Note 3)</i>	81,714,526	17.02	80,246,634	15.32	-	-	-	-	3,383,499	2.89
Others <i>(Note 4)</i>	101,945,405	21.24	98,393,085	18.79	102,040	0.02	-	-	379,792	0.32
Total:	<u>479,969,874</u>	<u>100.00</u>	<u>523,692,353</u>	<u>100.00</u>	<u>403,023,420</u>	<u>100.00</u>	<u>103,734,371</u>	<u>100.00</u>	<u>117,192,112</u>	<u>100.00</u>

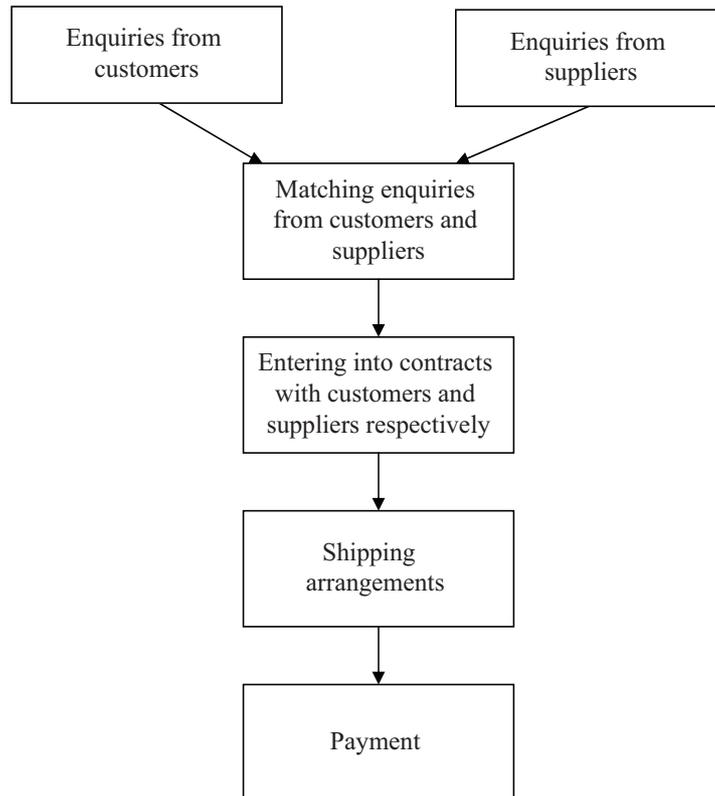
Notes:

1. North Asia principally includes Hong Kong, Macau, the PRC and Taiwan.
2. South East Asia principally includes Philippines, Singapore, Thailand and Vietnam.
3. Middle East principally includes Dubai and Jordan.
4. Others principally include Belgium, Brazil, Italy and Spain.

SIMPLIFIED WORKFLOW PROCESS ILLUSTRATION

International trading

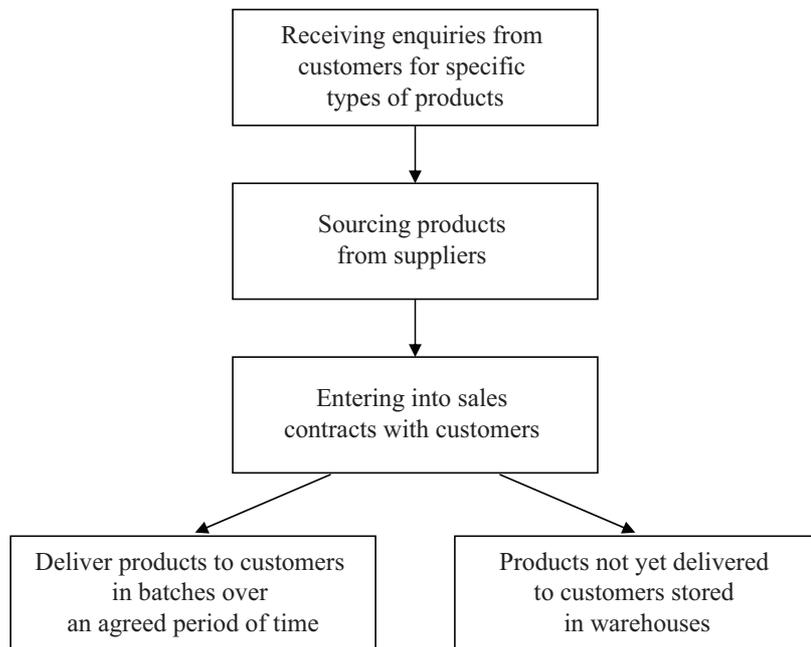
The workflow process that is generally involved in the Group's international trading is shown in the following diagram:



BUSINESS

Domestic trading and distribution in Hong Kong

The workflow process that is generally involved in the Group's domestic trading and distribution in Hong Kong is shown in the following diagram:

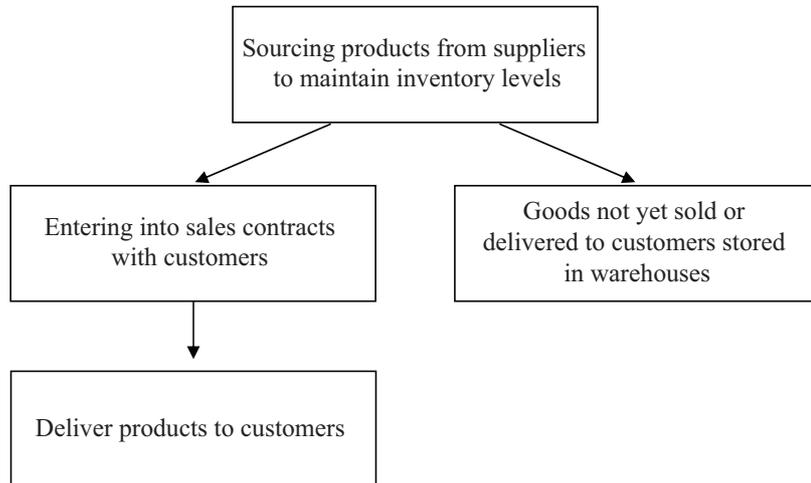


As illustrated from the chart above, the workflow process of the Group's domestic trading and distribution in Hong Kong is usually commenced by enquiries from customers for a specified type of products. After the Group receives enquiries from customers, it commences the sourcing process. When the orders from the customers are confirmed, the Group enters into contracts with suppliers and customers. The Group keeps inventories for the domestic trading and distribution because the products ordered by customers are usually delivered to the customers in batches upon customers' instructions. The products not yet delivered to the customers will be stored in the warehouses leased by the Group. For domestic trading and distribution by Novo Steel (HK), the prevailing payment term granted to the Group's customers is 30 days after the end of the month of delivery date. On the other hand, Novo Steel (HK) is generally not required by its suppliers to make deposit for the purchase of steel products for its domestic trading and distribution.

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Domestic trading and distribution in the PRC

The workflow process that is generally involved in the Group's domestic trading and distribution in the PRC is shown in the following diagram:



As illustrated from the chart above, for domestic trading and distribution in the PRC, the Group makes purchases of products so as to maintain a level of inventory to suit customers' needs as these customers expect much shorter delivery time. The products not yet sold or delivered to the customers will be stored in the warehouses. For domestic trading and distribution by Qianghua (Shanghai), the prevailing payment term granted to its customers is prepayment before delivery. On the other hand, the Group's prevailing payment term to the suppliers of Qianghua (Shanghai) is also prepayment before delivery.

MATCHING QUOTATIONS FROM SUPPLIERS TO ENQUIRIES FROM CUSTOMERS

Matching process

Upon receiving quotations from steel mills or other suppliers offering prices for bulk quantity purchase, the Group would send out quotations to customers with the aim of matching the bulk quantity with purchase orders in smaller lots. Usually the offers from steel mills or other suppliers would be open for 7 to 10 business days giving time for the Group to solicit the customers.

Sometimes the Group might receive enquiries for purchases from potential customers. After receiving these enquiries, the Group would group together other customers' enquiries or existing purchase orders of the same or similar products to invite quotations from steel mills or other suppliers which would offer prices for bulk quantity purchases.

It is the Group's normal practice to match enquiries from customers and quotations from suppliers. Such enquiries would include information of cargo type, specification of products, quantities, prices, shipment dates, etc. Once the enquiries and quotations can be matched, the Group would conclude the purchase contracts and sales contracts with suppliers and customers

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on a back to back basis. The Group recognises the sales when the bill of lading is issued. Usually one bulk purchase quotation would be matched with multiple purchase orders from customers in order for the Group to enjoy economies of scale by making bulk purchases.

If only part of the bulk purchase could be matched with purchase orders from customers, the Group would negotiate with the suppliers to reduce the quantity or persuade the customers to buy more.

At the matching stage, information relating to price, specification, origin, packing conditions, shipment schedule, loading/discharging ports, payment terms, was exchanged between suppliers and customers through the Group as a middleman.

Pricing policy

Since most of the sales are conducted on a back to back basis, the Group determines the sale prices by adding profit on top of the purchase prices payable to suppliers. As a result, the Group would be able to pass the increments in its purchase costs to its customers.

Criteria for selecting suppliers

The criteria for the Group to select suppliers for each purchase order depends on the specifications, cargo types, quantities and shipment schedules required by the customers which have to be matched with the particular supplier's steel mill's product portfolio and production schedules. The Group would also take into account the geographical locations of the suppliers and the particular suppliers' strengths on particular products to satisfy the requirements of customers.

ENTERING INTO CONTRACTS WITH CUSTOMERS AND SUPPLIERS

When negotiating contract terms with customers and suppliers, all offers made by the Group to customers are aptly captioned by adding "Subject unsold" if offers are made to more than one customers, "Subject reconfirmation" if the supplier has not confirmed sale and "Firm offer" where applicable. "Subject unsold" means the offer is subject to the goods being unsold and available for sale and the acceptance of the offer by the customer does not constitute a binding contract between the Group and the customer unless the goods remains unsold and available for sale. "Subject reconfirmation" means the offer is conditional and the acceptance of the offer by the customer does not constitute a binding contract between the Group and the customer until the Group gives reconfirmation. "Firm offer" means the offer made by the Group is unconditional and the acceptance of the offer by the customer would constitute a binding contract between the Group and the customer. All bids to suppliers by the Group must state that they are subject to a short validity period (normally about 24 hours) in order to solicit a quick response.

When entering into contracts with suppliers and customers for the same subject goods, the Group always have purchase orders confirmed by customers in writing by emails or have sale and purchase contracts signed by customers before the Group's entering into purchase contracts

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with suppliers except under special and rare circumstances. Examples of these circumstances were where the Group's contracts with customers were entered into shortly after its entering into purchase contracts with suppliers due to the different time zones customers might be located. Other situations might be that the majority of purchase orders had been confirmed except a small lot which might take a few days more to reach agreement between the Group and the customers. In order not to miss the offers which usually would lapse after 7 to 10 business days and to make profits by selling the majority of the subject goods, the Group might conclude the bulk purchase with the suppliers before all the purchase orders from customers are confirmed. Under these special circumstances, it would be reasonable and more practicable to allow a discrepancy of no more than 14 days between the dates of the sales contract and the relevant purchase contract. Based on the Group's past experience, under these special circumstances, a sales contract and the relevant purchase contract could be concluded within one to two weeks.

SHIPPING ARRANGEMENT

The normal practice is to ensure that the date of delivery by the supplier is at least 15 days earlier than the date of delivery promised by the Group to the customer. Checks will be conducted by the Group on the lead-time and voyage time with the supplier and the shipping company respectively. Vessel details, estimated time of arrival, estimated time of departure, agent contacts and other information will be requested by the Group from the shipper/ship agent.

The deadline for the Group's delivery to its customers as stipulated in the relevant sales contracts (counting from the time of entering into those contracts) is agreed at with the confirmation of the supplier during the negotiation with the customer, which is usually not later than three months from the date of signing the relevant contracts.

The normal practice of the Group is to purchase on FOB and sell on CFR basis which is in line with common practice in the steel trading industry, to charter the vessel via the assistance of reliable chartering and shipping companies or ship-owners. If the products are purchased by the Group on FOB basis and then sold on CFR basis, that means the supplier would be responsible for loading the products on board the vessel which is arranged by the Group for shipping of the products to customers. Therefore, under normal circumstances, the products are directly shipped to customers and no warehousing is involved. Where selling or purchasing is on FOB basis, it is preferred that it is on CQD basis on both sides in order to avoid demurrage costs and despatch gains. The Group consults the chartering company for all shipping matters like ports loading/discharging facilities, vessel particulars, freight estimation and voyage.

RISK AND TITLE

In buying on FOB and selling on CFR basis, unless the contract otherwise specifies, the risk of the goods passes from the supplier to the Group and simultaneously from the Group to the customer when the goods are loaded on board the vessel.

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In the context of international trading where payment is made by way of letter of credit, unless otherwise specified in the relevant contract or intended by the parties, title of the goods is generally presumed to be intended pass from the supplier to the Group when the documents (including the bill of lading) are presented by the supplier to the Group's bank (the buyer's bank) and the bank has accepted the documents for payment as the right to take delivery of the goods has been replaced by the bank's undertaking to pay. Likewise, title of the goods is generally presumed to be intended pass from the Group to the customer when the documents (including the bill of lading) are presented by the Group to the customer's bank (the buyer's bank).

"FOB" means free on board, in which the seller fulfils his obligation to deliver when the goods pass the ship's rail at the named port of shipment. The buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export.

"CFR" means cost and freight, in which the seller fulfils his obligation to deliver when goods pass the ship's rail at the named port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods and any additional costs due to events occurring after delivery are transferred from the seller to the buyer at the time of delivery.

"CQD" means customary quick despatch. Its means unfixed laytime and there would be no demurrage and despatch to be incurred. In this term, shipper in loading port and receiver in discharge port must endeavour their best to load or discharge the cargo respectively as fast as possible and in accordance with the load/discharge port customary practices. If the shipper or receiver can arrange the cargo and/or documents prior to the vessel's arrival at port, the shipper or receiver shall not be responsible for any time loss incurred by the vessel.

When buying on FOB and selling on CFR basis, the Group is responsible for arranging delivery and the freight charges are included in the Group's distribution and selling expenses.

PAYMENT

In conducting international trading, L/C is frequently an agreed method of settlement. Back-to-back L/C is a method of financing both sides of a transaction in which the Group, as a middleman, buys goods from its supplier and sells them to its customer with settlements of both sides being made under documentary credits. The Group generally requests its customers to open L/C immediately after the customer confirms order/contract. When dealing with supplier, the L/C issued to the supplier is to be opened by the Group preferably after receiving the master L/C from the customer.

In conducting domestic trading and distribution in Hong Kong, the Group generally requires customers to place deposits and gives 30 days credit to customers after delivery. The Group generally settles its payment to supplier by L/C.

In conducting domestic trading and distribution in the PRC, both purchases from suppliers and sales to customers are settled by full payment in advance.

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Any non-standard payment terms deviating from the above are subject to the Group's designated senior management's approval. For example, when international trading customers are unable to open L/Cs within the time limit as stipulated in the sales contracts; the Group would normally require customers to place deposits before the Group opens L/C to suppliers.

During the Track Record Period, the Group's sales settled by non-standard payment terms accounted for approximately 5%, 8%, 8% and 3% of the Group's sales for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The Group's purchases settled by prepayments or deposits during the Track Record Period accounted for approximately 2.09%, 0.61%, 1.13% and 1.76% of the Group's total cost of sales for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

To obtain payment under the L/C, the typical documents to be furnished by the seller/supplier include invoice, packing list, certificate of origin, certificate issued by surveyor, mill test certificate, bills of lading, beneficiary's certificate advising on subject details after the bills of lading date, and beneficiary's certificate confirming full set of documents has been sent after the bills of lading date. It normally takes 2 to 3 weeks for the Group to receive payments from banks after successful delivery of goods to customers.

In international trading, the Group does not generally make prepayment for purchase from suppliers. However, the Group may consider placing deposits to suppliers in order to secure the supply of products which is popular in the market at the relevant time as well as to open L/C in advance as determined appropriate and approved by its senior management.

It is not uncommon for steel trading companies to make prepayments to its suppliers. Prepayment or deposit for purchases is usually settled by the Group's banking facilities. According to the terms of purchase contracts entered into with suppliers, after payment of deposits or prepayments as agreed between the parties, the suppliers would be bound to deliver the products to the Group. The Group has not experienced any forfeiture of deposits or prepayment made to suppliers during the Track Record Period.

INTERNAL WORKING PRACTICES

Maintaining a high standard of service quality the Group provides to its customers and suppliers is important to the success of the Group's business. Towards this end, the Group has incorporated certain internal working practices such as requiring the weekly order report to be issued by its staff to summarise status of all pending orders, including order status reports, shipment report, request for chartering vessel. Such practices enable the Group's management to monitor and keep track of all orders, detect and solve problems early as and when they occur and be in a position to update customers on the status of their orders when requested. In certain cases, the Group arranges for third party international surveyors to inspect the steel products at ports of loading and discharge to provide assurance to its customers that the steel products delivered conform to their specifications. The Group also holds regular management meetings to exchange ideas, review running orders and to initiate new ideas among key traders, operation staff and management in order to provide better services that cater to the needs of its customers. The Group continuously obtains feedback from its customers and suppliers to assess its business to ensure that customers' satisfaction is achieved at all times.

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Save for one dispute as to the quality of products instigated by one customer whereby the customer obtained an arbitration award of approximately US\$0.2 million against the Group, the Directors confirm that the Group did not experience any material losses from product defects during the Track Record Period. The Group did not receive compensation from the supplier of the products which were the subject matter of that dispute. Based on the purchase contract entered into with the supplier, the loading survey of products conducted by third party at the loading port should be final.

Pursuant to the terms of contracts entered into with its suppliers, the suppliers would be ultimately responsible for any product defects. Since the Group is entitled to claim against its suppliers for losses in its liabilities owed to customers arising out of quality disputes, the Group does not have a sales or purchase return policy.

RESEARCH AND DEVELOPMENT

The nature of the Group's business does not require it to carry out any research and development activity. Notwithstanding this and in order to ensure that the Group remains competitive, its management team routinely researches into ways in which the Group can further improve its trading processes. Its sales and marketing team also carries out market intelligence research to understand the industry trends and influences in the markets in which its customers are located as well as emerging aspects of steel fabrication and competitive features in the steel industry in the PRC.

SALES AND MARKETING

The Group has extensive sales and marketing networks with branch offices and representatives in the cities of the PRC such as Tianjin, Shanghai and Guangzhou, as well as in countries such as Dubai and Indonesia. The Group's sales and marketing activities are carried out by its trading department which has 15 experienced traders as at the Latest Practicable Date and is led by its Chief Executive Officer, Mr. Chow, who reports to the Group's Chairman, Mr. Yu. The Group's trading team mainly comprises trading professionals who have substantial experience as traders in the steel trading industry ranging from 3 years to 11 years as well as related experience such as bills checking and banking experience.

The Group's trading department is mainly responsible for selling and marketing of the allocated resources. The sales are conducted via facsimiles, emails, telephone calls and even personal visits to the customers.

As at the Latest Practicable Date, the Group has appointed 12 agents who are located in 11 countries/regions with a view to serving its customers in different parts of the world. These countries/regions include South Korea, Japan, the Philippines, Vietnam, Thailand, Germany, Switzerland, Brazil, China, Singapore and Taiwan. These agents have extensive work experience in steel trading companies and as distribution agents for steel trading companies. Their years of business relationship with the Group range from one year to five years. The major terms of the distribution agency agreements entered into between the Group and the

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agents located in the said markets include the agents responsible for introducing customers to the Group, providing sales and marketing and business promotion services and technical advice, liaising with customers for entering into contracts, handling the delivery of the products at the places where the agents are located and the agency fees were agreed and calculated based on the quantities of products distributed with the assistance of the agents. These agency agreements do not have a specific term of validity and both parties are entitled to terminate these agreements by one month's prior written notice to the other and the Group is entitled to terminate the agreements immediately in case the agents act negligently or commit any fault. Pursuant to the terms of these agreements, the agents shall serve the Group well and faithfully and use utmost endeavours to promote the interest of the Group. None of these agency agreements have stipulated any exclusivity of locations or minimum purchases or sales commitments on either party. The numbers of agents engaged by the Group through which sales had been done during the Track Record Period were 8, 11, 6 and 3 for FY2008, FY2009, FY2010 and 1QFY2011 respectively and amounts of sales made through these agents during the Track Record Period were approximately US\$290 million, US\$233 million, US\$78 million and US\$12 million for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

SEASONALITY

The Group does not generally experience seasonality in trading of steel products. The Group may experience seasonality in trading of coal. Demand for coal is cyclical, depends highly on the time of year, and changes from season to season. In hot summers, high electricity demand for air conditioning boosts demand for coal consumed by coal burning power plants. Similarly, the colder the weather during the winter, the more noticeable will be the winter peak of demand. Therefore, mild weather may lead to drop in demand for coal and the Group's profits may be negatively impacted by climate change.

INSURANCE

The Group insures its business for, *inter alia*, the following:

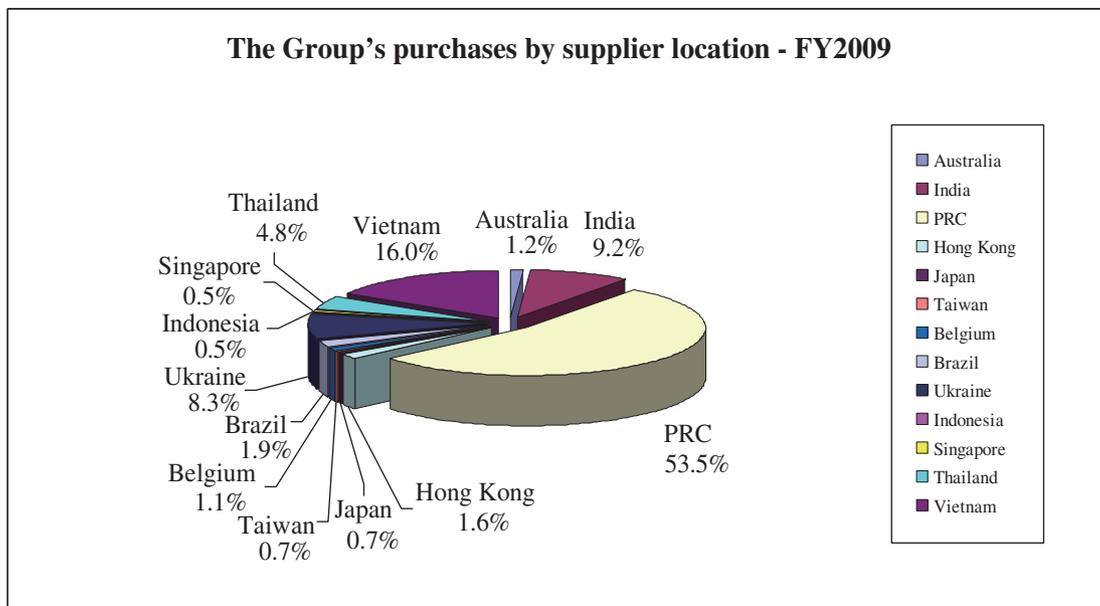
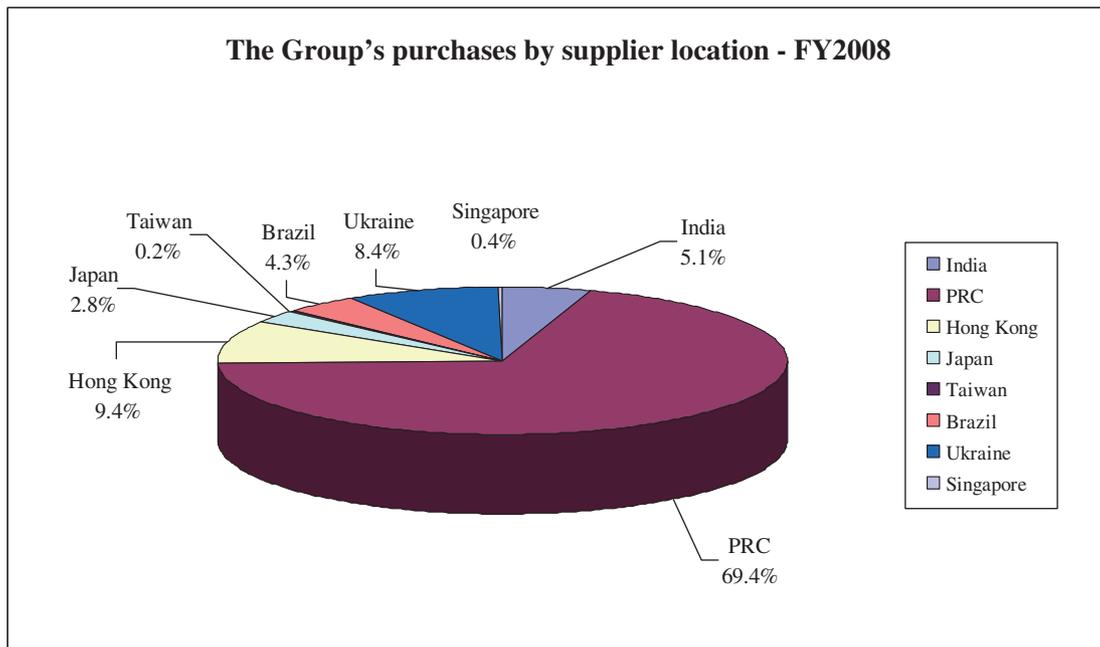
- (a) fire on assets including furniture, fixtures and fittings, racking system, plant and equipment, renovations, improvements and all other contents at its office premises;
- (b) losses or delay in the shipment of its merchandise;
- (c) losses caused by burglary including assets at office premises; and
- (d) workmen's compensation for its employees.

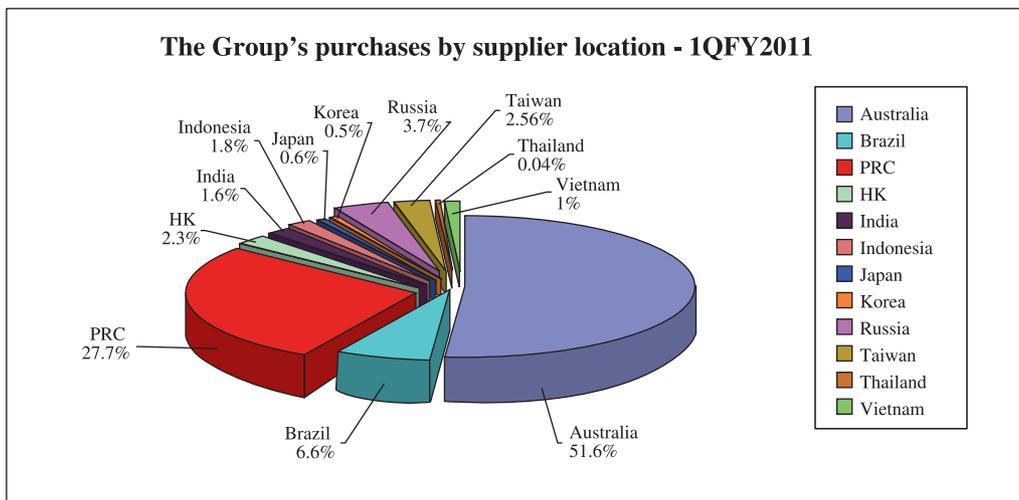
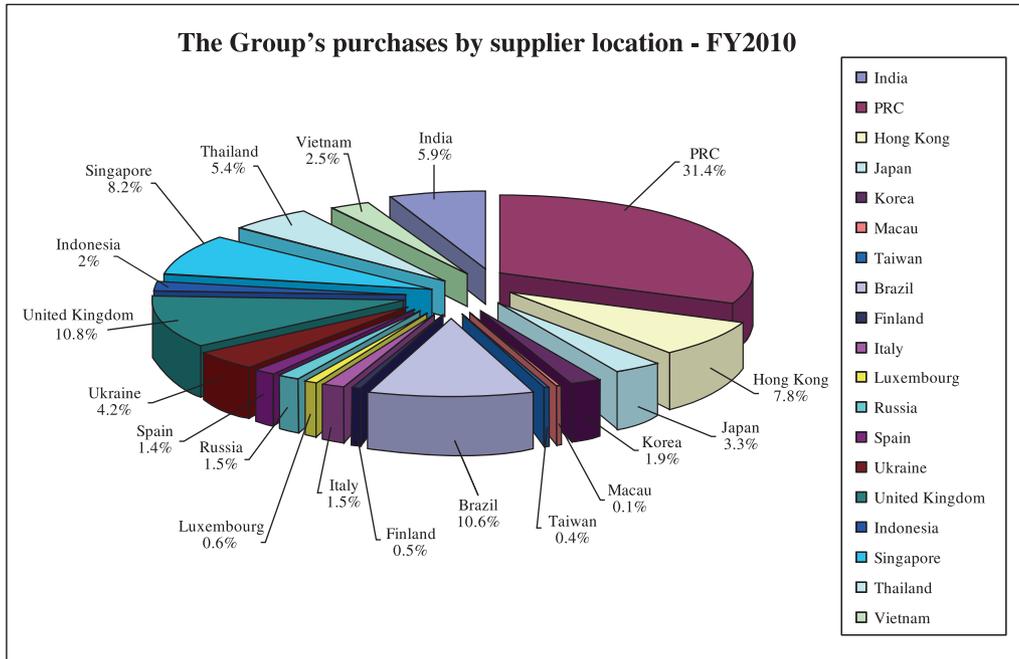
In line with industry practice, the insurance policies maintained by the Group in respect of its trading operations cover 110% of the amount of the shipment of the merchandise. On such basis, the Directors are of the view that the above insurance policies are adequate for the existing operations and assets of the Group and in line with industry practice.

SUPPLIERS

The Group places great emphasis on evaluating and selecting its suppliers and only works with those who are able to provide the Group with products that meet its requirements and at competitive prices.

The Group's suppliers of steel products are iron ore mines, steel mills and other steel producing companies and suppliers of coal are coal mines. Breakdown of the Group's purchases from suppliers during the Track Record Period categorized by suppliers' geographical locations are shown in the following charts:





The Group has not entered into long term supply contracts with its suppliers. However, the Group has entered into some framework agreements with certain suppliers with a view to making purchases. The parties to such framework agreements have not expressly excluded the legally-binding effect of those framework agreements. Although there is no minimum purchase or supply requirements under such framework agreements, such framework agreements set out the types and grading of products that the Group may purchase from such suppliers. The Group and the suppliers will enter into separate supply contract for each transaction which will then set out the detailed terms as set out below and the rights and obligations of the Group and the suppliers for each transaction. In some of these framework agreements, the Group and the suppliers have agreed on a target supply volume in one year. However, such target supply volume is only an indication of the sales volume and does not impose any minimum purchase obligation on the Group. The Group would not incur any contractual liability under such framework agreements even if such target volumes are not met.

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In FY2010 and 1QFY2011, the Group also purchased steel products by using derivative financial instruments provided by steel electronic trading platforms in the PRC to make up the deficiency of supply from regular and indent suppliers to maintain its inventory level for its domestic trading and distribution conducted in the PRC.

The above mentioned supply contracts between the Group and its suppliers would usually specify product specifications, prices, quantities, shipment date, payment terms, purchase of insurance, international trade terms such as FOB, CFR, arbitration clause, etc., which would be subject to the negotiation between the suppliers and the Group.

The Group's criteria in selecting suppliers are the following:

- (a) whether it has prior business relationship with the Group or its directors or management during their previous experience in the steel trading industry;
- (b) whether it is a listed company;
- (c) whether it is a referral from bank; or
- (d) whether it is a reputable mill/manufacturer in the market.

The management will review the performance of suppliers on whether deliveries were made on time, whether qualities and quantities of products matched with those specified in contracts and whether there were complaints from customers regarding those products.

The Group sourced from 39, 61, 71 and 82 suppliers for each of FY2008, FY2009, FY2010 and 1QFY2011, respectively. The top five suppliers of the Group accounted for approximately 61.0%, 46.2%, 47.4% and 72.9% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011, respectively. The largest supplier accounted for approximately 26.0%, 19.9%, 10.9% and 27.7% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011, respectively. None of the Directors or any of the substantial Shareholders of the Company has any interest, directly or indirectly, in any of the top five suppliers of the Group for each of FY2008, FY2009, FY2010 and 1QFY2011, respectively.

CUSTOMERS

In general, the types and quantities of products sold by the Group during the Track Record Period mainly depends on factors such as the availability of supplies, the competitive pricing and the nature of the Group's customers' order requirements.

BUSINESS

The table below sets forth the breakdown of the Group's revenue by geographical location during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
North Asia (Note 1)	138,865,375	28.94	161,854,055	30.91	286,418,253	71.07	90,156,489	86.91	88,091,419	75.17
South East Asia (Note 2)	157,444,568	32.80	183,198,579	34.98	116,503,127	28.91	13,577,882	13.09	25,337,402	21.62
India and Middle East (Note 3)	81,714,526	17.02	80,246,634	15.32	-	-	-	-	3,383,499	2.89
Others (Note 4)	101,945,405	21.24	98,393,085	18.79	102,040	0.02	-	-	379,792	0.32
Total:	<u>479,969,874</u>	<u>100.00</u>	<u>523,692,353</u>	<u>100.00</u>	<u>403,023,420</u>	<u>100.00</u>	<u>103,734,371</u>	<u>100.00</u>	<u>117,192,112</u>	<u>100.00</u>

Notes:

1. North Asia principally includes Hong Kong, Macau, the PRC and Taiwan.
2. South East Asia principally includes Philippines, Singapore, Thailand and Vietnam.
3. Middle East principally includes Dubai and Jordan.
4. Others principally include Belgium, Brazil, Italy and Spain.

The Group's customers of steel products include steel mills, construction companies, trading companies (trading companies here refer to those customers who are not end-users of the products, including stockists, traders, importers and distributors) and customers of coal include power plants. The historical percentages of sales of steel products made by the Group to steel mills, construction companies and trading companies during the Track Record Period are as follows:

Financial year/ period	Percentages of sales to stockists, traders, importers and distributors against total sales	Percentages of sales to steel mills against total sales	Percentages of sales to construction companies against total sales
	1QFY2011	69%	20%
FY2010	68%	27%	5%
FY2009	56%	35%	9%
FY2008	63%	36%	1%

The major types of products purchased by trading companies were finished products and raw materials in FY2008; finished products, semi-finished products and raw materials in FY2009; raw materials and finished products in FY2010; and raw materials and finished products for 1QFY2011.

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During the Track Record Period, the Group did not enter into any long term sales contracts with its customers. The Group entered into a non-legally binding memorandum of understanding with HG Metal Manufacturing Limited (“HG”) in 2008 whereby the Group would supply and HG would purchase from the Group fixed quantities of steel products every month and every year. Thereafter the Group entered into a number of sales contracts with HG for sales of steel products from time to time. The said memorandum of understanding does not specify minimum purchase commitments on the part of the Group and both parties would assume liabilities to purchase or supply only when they enter into separate legally binding sales contracts. The Group’s sales to HG during the Track Record Period amounted to approximately US\$9.5 million in FY2008, approximately US\$26.0 million in FY2009, approximately US\$3.3 million in FY2010 and nil in 1QFY2011, which constituted approximately 2.0%, 5.0%, 0.8% and 0% of the Group’s revenue in FY2008, FY2009, FY2010 and 1QFY2011 respectively. In view of the regular purchases by HG, the Group offered HG more favourable payment terms, i.e., D/A 120 days open credit terms of total amount up to US\$15 million at an interest rate of 1% per month, compared to other customers for which the payment terms are principally L/C at sight. “D/A” stands for “document against acceptance” and “120 days” means 120 days credit against the particular set of shipment documents, e.g. bill of lading. “D/A 120 days” means the purchaser is entitled to make payment within 120 days upon its acceptance of the shipment documents and collect the goods.

HG is a company incorporated in Singapore carrying on the business of, among other things, distribution and sales of steel products in Singapore and other places around the world. HG is presently listed on the SGX-ST.

For the Group’s domestic trading and distribution in Hong Kong, the Group had entered into some monthly sales contracts with major contractors and developers in Hong Kong. For these monthly sales contracts, the delivery period will be usually over a period of time. The prices of products will be determined based on market prices and the settlement term is usually within 30 days against each delivery.

The sales contracts between the Group and its customers usually specify product specifications, prices, quantities, shipment date, payment terms, purchase of insurance, international trade terms such as FOB, CFR, arbitration clause, etc., which would be subject to the negotiation between the customers and the Group.

The Group sold to 117, 100, 201 and 101 customers for each of FY2008, FY2009, FY2010 and 1QFY2011 respectively. The sales to the top five customers of the Group accounted for approximately 34.2%, 27.9%, 48.3% and 69.8% of the Group’s total sales for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The largest customer for each of FY2008, FY2009, FY2010 and 1QFY2011 accounted for approximately 10.8%, 7.6%, 19.1% and 26.3% of the Group’s total sales in FY2008, FY2009, FY2010 and 1QFY2011 respectively. None of the Directors or any of the substantial Shareholders of the Company has any interest, directly or indirectly, in any of the top five customers of the Group for each of FY2008, FY2009, FY2010 and 1QFY2011.

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CREDIT MANAGEMENT

The Group does not accept walk-in customers due to the prudent credit control procedures employed by the Group. The Group considers the following criteria before accepting orders from new customers:

- (a) whether it has prior business relationship with the Group or its directors or management during their previous experience in the steel trading industry;
- (b) whether it is a listed company;
- (c) whether it is a referral from bank; or
- (d) whether it is a reputable manufacturer/end user in the market.

The management of the Company reviews the need for making allowance for doubtful receivables on a quarterly basis. Generally, specific allowance for doubtful receivables is made where collection is considered unlikely by the management.

There was no allowance for doubtful receivables and bad debts written off for the FY2008, FY2009, FY2010 and 1QFY2011 due to the nature of the Group's business, whereby most transactions with customers and suppliers are conducted via banking facilities.

INVENTORY MANAGEMENT

The Group's inventories comprise steel products and their raw materials.

For international trading, the Group does not keep inventories as its buying orders are generally matched against selling orders on a back-to-back basis. The Group only confirms its purchase orders with suppliers after it receives the confirmation of purchase from customers.

For domestic trading and distribution in the PRC, the Group keeps inventories, regardless of whether or not it has obtained orders from customers, by making regular purchases from suppliers to suit customers' needs in relation to, among others, short delivery time. The Group also purchased steel products by using derivative financial instruments provided by steel electronic trading platforms in the PRC in FY2010 and 1QFY2011 to make up the deficiency of supply from regular and indent suppliers to maintain its inventory level for its domestic trading and distribution conducted in the PRC.

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For domestic trading and distribution in Hong Kong, the Group keeps inventories as the Group purchases products based on customers' confirmed orders while such products will be delivered to customers in batches with selling prices already fixed in such customers' orders upon their instructions. The products not yet delivered to customers are stored in warehouses leased by the Group. The storage fees of warehouses and the insurance are paid by the Group and included in its distribution and selling expenses.

The Group did not have inventories as at 30 April 2008 and 2009 and had inventories of approximately US\$26.5 million and US\$25.3 million as at 30 April 2010 and 31 July 2010 respectively, representing approximately 29.1% and 27.2% of the total assets of the Group as at the relevant balance sheet date.

As at 30 April 2010 and 31 July 2010, the majority of the inventories of the Group were kept for its domestic trading and distribution in Hong Kong, representing approximately 92.3% and 96.5% of the total inventories of the Group as at the relevant balance sheet date. The Group obtains the customers' confirmed orders before its purchase of products for its domestic trading and distribution conducted in Hong Kong.

As at 30 April 2010 and 31 July 2010, the inventories of the Group kept for its domestic trading and distribution in the PRC represented approximately 7.7% and 3.5% of the total inventories of the Group as at the relevant balance sheet date. The Group monitors closely the level of the inventory kept for its domestic trading and distribution in the PRC through an internal sales and inventory system. In addition, the Group has the following prevailing procedures in respect of the inventory management (as revised from time to time) of its domestic trading and distribution in the PRC, including, among others,

- (a) the inventory shall be purchased based on the management's expectation on the market demand for steel products including product type and quantity, the sales pattern, and the availability of financial resources of Qianghua (Shanghai);
- (b) the quantity of the inventory to be purchased for a specific year shall be approved by the board of directors of Qianghua (Shanghai); and
- (c) relevant approval shall be obtained for procurement of inventory with a certain quantity. For example, an approval from the board of directors of Qianghua (Shanghai) shall be obtained prior to purchase of inventory of over 1,000 tonnes.

In addition, the Group carries out monthly inventories checks on a sampling basis to ensure that the inventory records are up-to-date and there is no loss of inventories. Due to the nature of the Group's business, the risk of inventories obsolescence is extremely low and for this reason the Group does not have a policy for obsolete stocks. The Group did not record any inventories as at 30 April 2008 and 30 April 2009. In FY2009, the Group had a small amount of revenue from domestic trading and distribution. However, the Group did not have inventories as at 30 April 2009 since Qianghua (Shanghai) just begun trading in small quantities in late FY2009 and the Group only started to keep inventories for domestic trading and distribution during FY2010. The average inventories turnover days as at 30 April 2010 and as at 31 July 2010 were 28 days and 21 days respectively.

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INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the Group did not own any trademark, patent, or licence or has any applications relating thereto or any other intellectual property rights.

STAFF TRAINING

The Group conducts in-house training for its staff to equip them with the necessary skills and knowledge relevant to their respective job scope so as to improve their work efficiency and effectiveness. The Group's in-house training includes orientation programmes for new employees to familiarise them with the general working environment and work culture of the Group, as well as skills enrichment programmes for its sales staff to improve their competencies in selling and product knowledge. The Group provides its staff with relevant procedure manual relating to trading and operation to help establish consistent working practices to improve.

The Group also provides on-the-job training program to staff in different departments, particularly in the trading and operation departments where staff travel frequently with senior managers. The Group's staff training expenses for the Track Record Period were negligible.

SHIP MANAGEMENT – TIME CHARTER

In order to expand its business into time chartering of vessels, in October 2009, the Group started the chartering business through its 70% owned subsidiary, EBP. EBP is a joint venture formed by the Group and Oscar Maritime International Limited, and an Independent Third Party. Up to the Latest Practicable Date, the total investment by the Group in EBP was approximately US\$1.18 million.

In October and December 2009, the Group, through EBP, time-chartered two vessels from ship-owners and started to provide chartering services to its customers. Provision of chartering services contributed less than 2% of the total revenue of the Group for FY2010. Following the expiry of the time charter agreements in April 2010, the Group did not time charter other new vessels due to the increase in chartering rate charged by the ship-owners for the time being. The Group will, depending on the market circumstances (including chartering rates charged by ship-owners, market demand for chartering services, and other operating costs such as bunker costs), consider to provide chartering services again in the future. Apart from payment to the ship-owners for any chartering in the future, the Group does not expect to be required to incur any additional operating or capital expenditure on the chartering business when the Group provides the chartering service again in the future.

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JOINT VENTURES

In order to take advantage of the emerging business opportunities, the Group established a number of joint ventures based in Hong Kong, Singapore and the PRC during the Track Record Period, details of those joint ventures which are accounted for as subsidiaries of the Company under IFRS 27, are summarised as follows:

1. Name of company: **Novo Steel (HK)**

Shareholding:	The Group (indirectly)	51% (HK\$510,000 plus share of working capital of HK\$2,550,000)
	Thomson Steel Company Limited (“Thomson”), a company which is principally engaged in import, distribution and sales of steel products in Hong Kong	49% (HK\$490,000 plus share of working capital of HK\$2,450,000)
Board of directors:	The board consists of four directors of which two shall be nominated by the Group and two shall be nominated by Thomson.	
Business activities/ plans:	Import and supply steel products, mainly structural steel, piling steel and deformed steel bar targeted at the building and construction sector in Hong Kong	
Distribution of profits:	Shall be decided by all parties present in general meetings.	

2. Name of company: **EBP**

Shareholding:	The Group (indirectly)	70% (S\$700,000 plus share of working capital of S\$700,000)
	Oscar Maritime International Limited (“Oscar”), which is principally engaged in chartering and operating of vessels in Singapore	30% (S\$300,000 plus share of working capital of S\$300,000)
Board of directors:	The board consists of three directors of which two shall be nominated by the Group and one shall be nominated by Oscar.	
Business activities/ plans:	Global shipping and logistics operation	
Distribution of profits:	Shall be decided by all parties present in general meetings.	

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3. Name of company:	Qianghua (Shanghai)	
Shareholding:	The Group (indirectly)	80% (RMB16,000,000)
	Shanghai CRQ	20% (RMB4,000,000)
Term of operation:	20 years from 11 September 2008 to 10 September 2028	
Total investment amount:	RMB28,000,000	
Registered capital:	RMB20,000,000	
Paid-up capital:	RMB20,000,000	
Board of directors:	The board consists of four directors (including one chairman), who shall be appointed by the investors jointly.	
Distribution of assets upon termination:	Shall be in accordance with proportions of capital contribution	
Distribution of profits:	Shall be decided by the board of directors after deducting for statutory funds	

ASSOCIATED COMPANIES

As at the Latest Practicable Date, the Group invested in the following companies which are accounted for as associated companies of the Group:

1. Rico Group Limited

Place of incorporation	BVI
Attributable equity interest held by the Group as at the Latest Practicable Date	30% (held by Global Wealth TL)
Principal activities	Investment holding company to hold Novostal Limited (which is principally engaged in trading of steel products)
Identities of other shareholders	Sirunuch Limpiyachart (holding 35% equity interest) Surapong Jureeratana (holding 35% equity interest)
Background of other shareholders	Both of the other shareholders are shareholders of Novostal Pte. Ltd. and are independent third parties.

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2. **Novostal Pte. Ltd**

Place of incorporation	Singapore
Attributable equity interest held by the Group as at the Latest Practicable Date	30% (held by Global Wealth TL)
Principal activities	Trading of steel products
Identities of other shareholders	Sirunuch Limpiyachart (holding 35% equity interest) Surapong Jureeratana (holding 35% equity interest)
Background of other shareholders	Both of the other shareholders are shareholders of Rico Group Limited and independent third parties.

3. **POS-SEA Pte. Ltd.**

Place of incorporation	Singapore
Attributable equity interest held by the Group as at the Latest Practicable Date	24.5% (held by Novo CPL)
Principal activities	Acting as commission agents for procurement of steel and materials
Identities of other shareholders	POSCO Steel Service & Sales Co., Ltd (holding 51% equity interest) HG (holding 24.5% equity interest)
Background of other shareholders	POSCO Steel Service & Sales Co., Ltd is an independent third party. HG is one of the Group's customers. More details of the Group's sales to HG are disclosed in the section headed "Business" of this document. Save as above, HG is an independent third party.

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AWARDS AND ACCREDITATIONS

Significant awards and accreditations granted to the Group in relation to the Group's brand names or products up to the Latest Practicable Date are set out below:

Group company	Award	Issuing authority	Validity period
Novo HK	ISO9001:2008 quality management system standard applicable to: Import and export of scrap steel	Hong Kong Quality Assurance Agency	From 28 September 2009 to 27 September 2012
Novo Steel (HK)	ISO9001:2008 quality management system standard applicable to: Stockholding and supply of reinforcement steel bars	Hong Kong Quality Assurance Agency	From 27 August 2009 to 26 August 2012
Novo CPL	Global Trader Programme (GTP) status	International Enterprise Singapore – an agency under the Ministry of Trade and Industry Singapore	From 1 May 2007 to 30 April 2012

LEGAL PROCEEDINGS

The Group has been involved occasionally in legal and arbitration proceedings before courts and arbitration centres in Hong Kong and/or the PRC as plaintiff relating to claims in connection with, among other things, non-performance of contracts by its suppliers or customers. The Directors confirm that, as at the Latest Practicable Date, (i) there were no pending legal proceedings against the Group or any of the Directors; and (ii) the Group had obtained arbitration awards for all arbitration proceedings, among which arbitration awards granted in favour of the Group with an aggregate compensation amount of US\$2.3 million were pending the PRC Court granting the order for enforcement.

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During the Track Record Period, the Group experienced a total of four incidents of default by its suppliers and one incident of default by its customer. The total contract value of the defaults by the suppliers and the customer was approximately US\$53.4 million and US\$3.3 million respectively. In the case of default of suppliers, the Group either persuaded the corresponding customers to cancel the sales contracts without compensation or purchased similar products from alternative suppliers to fulfill the Group's contractual obligations owed to the corresponding customers. On the other hand, the Group required the defaulting suppliers to compensate for the loss caused by their default, and in absence of an amicable settlement agreement, the Group instigated legal proceedings such as arbitration against the defaulting suppliers for their breach of contract. The total contract value of defaults by the suppliers represented approximately 1.6%, 4.0%, 7.5% and 0% of the total purchase of the Group for each of FY2008, FY2009, FY2010 and 1QFY2011 respectively.

In the case of default by the customer, the Group managed to resell the subject products to other buyers at market prices while at the same time obtained an arbitration award against the defaulting customer. The total contract value of the default by customers represented approximately 0%, 0.6%, 0% and 0% of the revenue of the Group for each of FY2008, FY2009, FY2010 and 1QFY2011 respectively. The amount of arbitration award obtained during the Track Record Period against the defaulting suppliers and customer were approximately US\$2.3 million. These awards are still in the enforcement stage. The total amount of compensation received by the Group from defaulting suppliers and customers without instigating legal proceedings was approximately US\$1.5 million.

During the Track Record Period, there were a total of three arbitration proceedings in which the Group was the claimant claiming for an aggregate amount of approximately US\$7.3 million. Two of the said arbitration proceedings with an aggregate amount of US\$2.3 million had already been awarded and pending enforcement or payment. For the remaining one, the Group entered into a settlement agreement with the defaulting supplier in August 2010 and received US\$1.7 million for final settlement of the dispute. In case the Group needs to enforce the arbitration awards in local courts of the PRC, the time required to complete the enforcement procedures would be highly dependent on the courts' discretion. There was only one arbitration proceeding regarding a quality claim by a customer in which the Group was the respondent and was required to pay approximately US\$0.2 million compensation to the claimant according to the award granted against the Group. The two arbitration proceedings against suppliers arose from the suppliers' failing to deliver the products in accordance with the supply contracts and the one arbitration proceedings against a customer arose from the customer's failing to issue the L/C and take delivery of the products as per the sales contract.

REGULATORY COMPLIANCE

Save as disclosed in the section headed "Regulatory overview" in this document, there are in general no regulatory restrictions such as import or export licensing or quota restrictions on steel trading in countries where members of the Group are incorporated.

The restrictions under India law have not affected the Group's business since the products traded by the Group are not subject to the restrictions.

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The licensing requirements on importation of iron ore and scrap steel in the PRC have not affected the Group's business either since the Group has been selling iron ore to importers in the PRC and the Group had not yet commenced the scrap steel processing as at the Latest Practicable Date. The Group will apply for the scrap steel licence in due course for the operation of scrap steel processing.

The Directors confirm that, save as disclosed in the section headed "Directors, senior management and staff" in this document, as at the Latest Practicable Date, all members of the Group have complied with all applicable laws and regulations in the jurisdictions in which they are incorporated and operated and have obtained all necessary permits, certificates and licences for their operations within the relevant jurisdictions.

As advised by the legal advisers as to Singapore laws, all members of the Group incorporated in Singapore have complied with all applicable laws and regulations in Singapore and have obtained all necessary permits, certificates and licences for their operations in Singapore. As confirmed by the Company's legal advisers as to Singapore laws, the Company and its subsidiaries incorporated in Singapore have not failed to comply with the rules and regulations of SGX-ST during the Track Record Period based on the information and documents made available to them.

As advised by the legal advisers as to PRC laws, all members of the Group incorporated in the PRC have complied with all applicable laws and regulations in the PRC in all material aspects and have obtained all material permits, certificates and licences for their operations in the PRC. The Company's legal advisers as to PRC laws confirm that no PRC governmental or regulatory approval is required for the Introduction.

As advised by the legal advisers as to UAE laws, Novosteel DMCC has complied with all applicable laws and regulations of UAE and has obtained all necessary permits, certificates and licences for its operation Dubai.

As advised by the legal advisers as to Indian laws, Novo Commodities Private Limited has complied with all applicable laws and regulations in India and has obtained all necessary permits, certificates and licences for its operation in India.

Under Singapore laws and regulations, save for the obtaining of the approval from the Shareholders at a general meeting for approving the Listing, the compliance of the rules of the Listing Manual and the Controlling Shareholders being required to comply with the relevant disclosure requirements under the Singapore laws, including Section 83 of the Singapore Companies Act, in relation to a change in interest of their shareholding in the Company should it occur as a result of the Listing, the Company and the Controlling Shareholders are not required to obtain other approval, permit and/or consent from any regulatory authorities in Singapore or to comply with any other reporting requirements under Singapore laws or obtain any other shareholder approvals regarding the proposed Listing. The Company convened the EGM to seek the Shareholders' approval, among other matters, on the proposed Listing. The Company published an announcement in relation to the results of the EGM on the SGX-ST on 29 October 2010.

ADOPTION OF INTERNAL CONTROL POLICY

In order to strengthen its compliance mechanism for relevant regulations and to enhance the strength and effectiveness of the Group's corporate governance, the Group has adopted and will adopt the following internal control policy to ensure compliance with various applicable rules and regulations:

- (a) the Company has distributed to the Directors a detailed memorandum prepared by the legal advisers to the Company as to Hong Kong laws setting out the requisite major on-going regulatory requirements and obligations of the Directors under the Listing Rules after the Introduction;
- (b) training sessions attended by the Directors and senior management of the Group conducted by the legal advisers to the Company as to Hong Kong laws on the on-going obligations and duties of a director of a company whose shares are listed on the Hong Kong Stock Exchange;
- (c) the Company has adopted and implemented a compliance manual prepared by the legal advisers to the Company as to Hong Kong laws which covers ongoing compliance obligations of the Company and the Directors, such as handling price sensitive information, notifiable transactions and connected transactions of the Group;
- (d) the Company has in place policies for its business units on declaration of interest by the Directors and those interested will have to abstain from voting at board meetings in respect of the relevant transactions. The Company would also request the Directors and senior management to complete and return forms of declaration of interests, including related party transactions, on semi-annual basis;
- (e) the Company has adopted a procedural manual (the "Manual") prepared by an independent professional firm which sets out the standard procedures for (i) convening and conducting board meetings such as channel of communication, the notice period, the information that should be disseminated, handling of request for additional information etc; and (ii) dissemination of information to the Directors to ensure they are kept abreast of the Company's major decisions and transactions on a timely basis;
- (f) until the publication of the Company's financial results for the year ending 30 April 2012, (i) the Company will engage an independent professional firm to review, on a semi-annual basis, if the Company has followed the procedures set out in the Manual and to make recommendations for improvement, if any; (ii) a report containing the findings of the review (the "Findings") and the recommendations, if any, will be made available to all the Directors; and (iii) the Findings will be disclosed in the Company's half-yearly and annual reports;

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- (g) the Company will, on a bi-monthly basis, provide a written report to all the Directors which report shall contain a summary of an update of the business performance as well as any major transactions or decisions undertaken by the Group during the immediately preceding two months;
- (h) the Company will provide induction package to newly appointed Directors, which will cover duties and responsibilities of Directors under the relevant laws and regulations as well as the introduction of the business operations of the Group, for them to discharge their duties and obligations properly, and obtain confirmations from newly appointed independent non-executive Directors that they would have sufficient time to discharge their duty and obligations as independent non-executive Directors;
- (i) the Company has appointed a team of experienced company secretaries comprising of experienced legal and company secretarial professionals. The biography of each of the company secretaries are set out in the section headed “Directors, senior management and staff” of this document;
- (j) the company secretarial team of the Group will have access to external professional retained or to be retained by the Group from time to time if applicable, including the compliance adviser, external legal counsels, auditors and other advisers as necessary, and will report directly to the Board;
- (k) the Company has appointed CIMB as the Company’s compliance adviser to advise the Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules;
- (l) the Board has established an investment committee comprising of both executive Director and independent non-executive Directors, which committee is mainly responsible for reviewing and making recommendations on the Company’s investment policies, development strategies and investments plans and monitoring the execution of the plans and use of funds in carrying out investment projects, and if needed, the Company will appoint independent professional advisers to assist the investment committee in evaluating investment projects; and
- (m) in particular, in order to ensure the timely contribution of capital of company established by the Group under relevant laws and regulations, the Group has adopted an internal procedure in relation to the establishment of company including application of incorporation related documents and timeline for capital contribution.

The Sponsor considers that the above corporate governance measures will enable the Group to strengthen its control environment both at the working level and at the monitoring level. The Sponsor is of the view that these measures will provide a stronger foundation for the Group to more effectively identify and deal with compliance related matters and will provide assistance to the Directors in monitoring compliance of the Group with regulatory and legal requirements as a whole.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors are of the view that the Group is capable of carrying out its business independently of the Controlling Shareholders and their associates after the Listing as (i) the Group's customers and suppliers are independent of the Controlling Shareholders; and (ii) the Group is able to obtain financing from external sources without reliance on the Controlling Shareholders.

Management independence

Although the Controlling Shareholders have a controlling interest in the Company, the Group has full authority to make all decisions on its business operations independently and has access to the Group's customers and suppliers without reliance on the Controlling Shareholders.

The three independent non-executive Directors provide checks and balances over the Board's decision-making on significant transactions. The Company has in place policies for its business units on declaration of interest by the Directors and those interested will have to abstain from voting at board meetings in respect of the relevant transactions. The Company would also request the Directors and senior management to complete and return forms of declaration of interests, including related party transactions, on a semi-annual basis. The Audit Committee, which comprises solely of the three independent non-executive Directors, has authority to review, among other matters, the Company's internal control systems and also to review and approve connected transactions (if any).

Besides the Audit Committee, the Board also has established the Remuneration Committee to ensure that Directors and senior management are properly remunerated without being over-compensated. The Board also has a Nominating Committee to ensure that only persons with capability and relevant experience are appointed as Directors and to assess the independence of the Directors on an annual basis. Both the Remuneration Committee and the Nominating Committee comprise solely of the three independent non-executive Directors.

Operational independence

The Group has its own resources to perform all administrative functions such as financial and accounting management and inventory management. The Group has its own operations teams and functional departments such as accounting, human resources, administrative, sales and purchase departments which are separate from and independent of New Page, the Group's Controlling Shareholder and a company owned as to 70% by Mr. Yu and 30% by Mr. Chow. The senior management and the company secretaries are independent of the Controlling Shareholders.

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Financial independence

The Group has its own financial management system and makes financial decisions according to its own business needs and is able to operate the business independently from the Controlling Shareholders in the financial aspect. The Group has procured the release of all guarantees previously provided by the Controlling Shareholders in respect of banking facilities granted to the Group. The Group also has sufficient capital, internal resources and save for the covenants relating to specific performance obligations on the Controlling Shareholders as disclosed under the paragraph headed “Banking facilities and bank loans” in the section headed “Financial information” of this document, the Group is able to obtain financing from external sources without reliance on the Controlling Shareholders.

Competing interest

Having made all reasonable enquiries, as at the Latest Practicable Date, neither the Controlling Shareholders nor the Directors had any interest in a business, apart from the Group’s business, which competes or is likely to compete, either directly or indirectly, with the Group’s business.

COMPETITIVE STRENGTHS

The Directors consider the following to be the core competitive strengths of the Group:

Experienced management team

The Group has an experienced and committed management team comprising professionals who have many years of experience in the industry. The Group’s management team is led by its Chairman, Mr. Yu, and its Chief Executive Officer, Mr. Chow. Mr. Yu and Mr. Chow are experienced in international steel trading business and have established extensive global business networks as well as accumulated substantial knowledge of the markets the Group serves. The experienced management team has substantial knowledge in the whole process of steel trading, including sourcing, processing, marketing, logistics, financing, operations and insurance.

Relationships with banks

The Group enjoys continual banking facilities from the banks. The steel trading business requires vast amount of financing to fund the purchase of steel products and this serves as a barrier to entry for new market entrants. During the Track Record Period, the Group did not commit any default of repayment of bank borrowings nor did the Group experience any withdrawal or request for early repayment of banking facilities.

Economies of scale

Upon receiving quotations from steel mills or other suppliers offering prices for bulk purchases, the Group would send out quotations to customers with the aim of matching the bulk quantities with purchases order in smaller lots. By grouping the purchases orders in smaller lots, the Group is able to make its bulk purchases and thus enjoys economies of scale from its sourcing activities. Generally, the Group's bulk purchases allow it to enjoy a lower per unit purchase cost.

Furthermore, the Group's suppliers normally require minimum purchases which the Group is able to meet when it makes bulk purchases. Most steel mills are unwilling to meet orders of end users which are below a certain threshold tonnage as it is not cost-effective for the steel mills to customise their production specifications if the order is too small. As such, the Group's customers may not be able to purchase directly from the Group's suppliers unless their orders are sufficiently large. Therefore, purchasing from the Group allows the customers as well as the Group to enjoy the cost savings through bulk purchases.

Diversity of steel products offered

The Group trades in a diversity of steel products which include slabs, billets, hot rolled coils, hot rolled plates, I-Beams, deformed bars, wire rods, cold rolled coils and sheets. Please refer to the paragraph headed "Products traded" in the section headed "Business" in this document for more details. Due to the diverse range of products traded by the Group, the Group is able to meet the different needs of its customers. The Group is also able to reduce the adverse impact of price and/or demand changes within the steel industry as a result of the diversity of steel products offered. In addition, if the price of a particular type of steel products increases sharply and thus affects demand for such steel products, the Group is able to source and sell other types of steel products which are not affected by the fluctuation in prices.

CONNECTED TRANSACTIONS

The following transactions have been carried out by the Group and its connected persons (as defined in the Listing Rules) during the Track Record Period and are expected to continue following the Listing:

EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.33(4) OF THE LISTING RULES

The following transactions are entered into between the Group on one part and associates of Mr. Lee Foo Keung, Eric (“**Mr. Lee**”) on the other part. Mr. Lee is a 60% shareholder, and therefore an associate, of Thomson Steel Company Limited which owns 49% interest in Novo Steel (HK) (a non-wholly owned subsidiary of the Company). Therefore, Mr. Lee and his associates are connected persons of the Company under Chapter 14A of the Listing Rules.

(1) Tenancy Agreement with Smart Pacific Trading Limited

On 29 July 2009, a tenancy agreement (“Smart Pacific Tenancy Agreement”) was entered into between Novo Steel (HK) and Smart Pacific Trading Limited (“Smart Pacific”).

Novo Steel (HK) is owned as to 51% by the Group and as to 49% by Thomson Steel Company Limited. Thomson Steel Company Limited is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Lee. Smart Pacific is owned as to 50% by Mr. Lee and as to 50% by his spouse. Therefore, Smart Pacific is a connected person of the Company by virtue of being an associate of Mr. Lee. To the best knowledge and belief of the Directors having made all reasonable enquiries, Smart Pacific is principally engaged in investment holding.

Pursuant to the Smart Pacific Tenancy Agreement, Smart Pacific has agreed to lease to Novo Steel (HK) the premises located at Flat A, 20/F, Kiu Yin Commercial Building, 361-363 Lockhart Road, Wanchai, Hong Kong for a term commencing from 1 August 2009 to 31 July 2011 for a monthly rental of HK\$9,000 (inclusive of management fee, government rates and rent). The monthly rental was determined by Novo Steel (HK) and Smart Pacific on arm’s length basis with reference to the prevailing market rates. The premises are used by Novo Steel (HK) as office premises.

For FY2010 and 1QFY2011, the rental payable by the Group to Smart Pacific pursuant to the Smart Pacific Tenancy Agreement amounted to approximately US\$10,385 and US\$3,462 respectively.

DTZ Debenham Tie Leung Limited, an independent property valuer, has confirmed that the terms set out in the Smart Pacific Tenancy Agreement are normal commercial terms and that the rental payable under the Smart Pacific Tenancy Agreement by the Group correspond to the fair market rentals.

The Directors (including the independent non-executive Directors) consider that the entering into of Smart Pacific Tenancy Agreement is in the ordinary course of business of the Group, the terms thereof are on normal commercial terms, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Given that (i) the Smart Pacific Tenancy Agreement is a continuing connected transaction for the Company only because it involves Mr. Lee who is a connected person of the Company by virtue of his relationship with Novo Steel (HK); (ii) all applicable percentage ratios of Novo Steel (HK) are less than 5% for FY2010; and (iii) the consideration ratio (as defined in the Listing Rules) of the Smart Pacific Tenancy Agreement is less than 10%, the Smart Pacific Tenancy Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.33(4) of the Listing Rules.

(2) Godown Agreement

On 25 February 2010, Novo Steel (HK) and Great Success Development (Hong Kong) Limited ("Great Success") entered into a godown agreement ("Godown Agreement") pursuant to which Great Success agreed to provide warehousing services to Novo Steel (HK) at the warehouse located at lot numbers 3225RP, 3226RP, 3232, 3234, 3391, 3390, 3389, 3388, 3387, 3386, 3385, 3384, 3383 and 3382, Yick Yuen Road, Tuen Mun, Hong Kong ("Godown").

Novo Steel (HK) is owned as to 51% by the Group and as to 49% by Thomson Steel Company Limited. Thomson Steel Company Limited is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Lee. Great Success is wholly owned by Mr. Lee and his spouse. Therefore, Great Success is a connected person of the Company by virtue of being an associate of Mr. Lee. To the best knowledge and belief of the Directors having made all reasonable enquiries, Great Success is principally engaged in warehouse operation.

Pursuant to the Godown Agreement, Great Success has agreed to provide godown service to Novo Steel (HK). Novo Steel (HK) will store its steel products at the Godown which is situated in the proximity to the loading ports where the steel products of Novo Steel (HK) are unloaded.

The fees payable to Great Success are charged on the basis of volume of steel products kept at the godown and the related handling charges of HK\$19 per tonne per month. The fees were determined by Novo Steel (HK) and Great Success on arm's length basis with reference to the prevailing market rates. The term of the Godown Agreement is from 1 March 2010 to 28 February 2012.

For FY2010 and 1QFY2011, the fees payable by the Group to Great Success pursuant to the Godown Agreement amounted to approximately US\$257,151 and US\$193,882 respectively.

The Directors (including the independent non-executive Directors) consider that the entering into of Godown Agreement is in the ordinary course of business of the Group, the terms thereof are on normal commercial terms, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Given that (i) the Godown Agreement is a continuing connected transaction for the Company only because it involves Mr. Lee who is a connected person of the Company by virtue of his relationship with Novo Steel (HK); (ii) all applicable percentage ratios of Novo Steel (HK) are less than 5% for FY2010; and (iii) the consideration ratio (as defined in the Listing Rules) of the Godown Agreement is less than 10%, the Godown Agreement is exempt from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.33(4) of the Listing Rules.

(3) Sale and purchase of steel products

From time to time, the Group sells steel products to Thomson Steel Company Limited and Globe Star Steel Company Limited ("Sales"). Globe Star Steel Company Limited and Globe Star International Limited, from time to time, also sell steel products to the Group ("Purchases"). The Sales and the Purchases were conducted in the ordinary and usual course of business of the Group.

Thomson Steel Company Limited is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Lee. Each of Globe Star Steel Company Limited and Globe Star International Limited is wholly owned by Mr. Lee and his spouse. To the best knowledge and belief of the Directors having made all reasonable enquiries, Thomson Steel Company Limited is principally engaged in import, distribution and sales of steel products in Hong Kong, and each of Globe Star Steel Company Limited and Globe Star International Limited is principally engaged in trading.

The terms of the Sales are not more favourable than those the Group offers to its independent customers. The terms of the Purchases are no less favourable than those available to the Group from its independent suppliers.

The Group commenced the Sales and the Purchases in FY2010. For FY2010 and 1QFY2011, the amounts of the Sales amounted to approximately US\$3,909,791 and US\$1,661,263 respectively and the amount of the Purchases amounted to approximately US\$3,283,108 and US\$6,922,695 respectively.

The Directors (including the independent non-executive Directors), consider that the Sales and the Purchases are in the ordinary course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Given that (i) the Sales and the Purchases are connected transactions for the Company only because they involve Mr. Lee who is a connected person of the Company by virtue of his relationship with Novo Steel (HK); (ii) all applicable percentage ratios of Novo Steel (HK) are less than 5% for FY2010; (iii) the Sales are of revenue nature in the Company's ordinary and usual course of business; and (iv) the consideration ratio (as defined in the Listing Rules) of the Sales and the Purchases is less than 10%, the Sales and the Purchases are exempt from the reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 14A.33(4) of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Board consists of six Directors, three of whom are independent non-executive Directors. The following table sets forth certain information relating to the Directors:

Name	Age	Current positions held with the Group
Yu Wing Keung, Dicky	47	Chairman and executive Director
Chow Kin Wa	44	Executive Director and Chief Executive Officer
Chow Kin San	46	Executive Director
Tang Chi Loong	41	Independent non-executive Director
Foo Teck Leong	45	Independent non-executive Director
Tse To Chung, Lawrence	43	Independent non-executive Director

Executive Directors

Mr. Yu Wing Keung Dicky (余永強先生) (“Mr. Yu”), aged 47, is the Chairman and an executive Director appointed on 10 March 2008. Mr. Yu is one of the founders of the Group who co-founded the Group with Mr. Chow in 2005. He is responsible for formulating the Group’s strategic directions, expansion and overall business development plans. From 1990 to 1991, Mr. Yu worked for Metallgesellschaft Hong Kong Limited with the last position as manager of steel department. During his time at Metallgesellschaft Hong Kong Limited, Mr. Yu’s job duties included overseeing non-ferrous trading activities in Asia/Pacific Region and international steel trading activities. From 1992 to 1995, he worked for British Steel (Asia) Limited, with his last position as general manager responsible for overseeing the company’s steel trading business in Thailand. Both Metallgesellschaft Hong Kong Limited and British Steel (Asia) Limited were companies engaged in the trading of steel products where Mr. Yu acquired experience in multinational steel trading. He worked for Linkful Material Supply Ltd. and Linkful Management Services Ltd. in 1996 with his last position as deputy managing director where he acquired experience in trading and investment. From 1997 to 2005, he worked for Burwill Holdings Limited (formerly known as WellNet Holdings Limited) (“Burwill”), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 24) which he has acted as an executive director from 1998 until 2005. Burwill is a conglomerate engaged in the business of international steel trading, warehousing, processing, distribution and investment where Mr. Yu acquired experience in multinational steel manufacturing and processing, trading and investment. From 2001 to 2005, he was also an executive director of China LotSynergy Holdings Limited (formerly known as Worldmetal Holdings Limited), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code 8161). During Mr. Yu’s service, China LotSynergy Holdings Limited had been engaged in the business of, among others, providing trading platform of steel on the internet, when Mr. Yu acquired further experience in international steel trading. Mr. Yu started his own business in steel trading by founding the Group in 2005. While working in the above various positions and developing and running the Group’s business, Mr. Yu has acquired over 20 years’ experience in multinational steel manufacturing, investment and trading business and has established extensive global business networks. Save for being an executive Director, Mr. Yu does not and did not hold any directorship with any other listed company in Hong Kong or elsewhere in the past three years. Mr. Yu holds a Master of Business Administration from the University of Durham and is a member of Chartered Institute of Marketing, United Kingdom.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In April 2004, the Hong Kong Stock Exchange issued a public criticism in respect of Burwill for its breach of the Listing Rules relating to share repurchases made in April 2001 (“Share Repurchases”) and all executive directors of Burwill for breach of their respective undertakings given by them in the form set out in the then Appendix 5B to the Listing Rules for failing to use their best endeavours to procure the compliance of Burwill with the Listing Rules (“Public Criticism”). Back in this time in Burwill, Mr. Yu was primarily responsible for overseeing the commodities and international trading operation of Burwill and had extensive business travelling during his time in Burwill. The day to day operation, including the Listing Rules compliance matters, were handled by other members of the board of directors of Burwill and Mr. Yu had not taken an active role in Burwill in the aspect of regulatory compliance. Mr. Yu was not the subject person who had taken initiative to decide, implement or give instructions in connection with the Share Repurchases leading to the public criticism. Mr. Yu had not procured Burwill’s compliance with the Listing Rules before it implemented the Share Repurchases because Mr. Yu was not directly involved in the Share Repurchases nor in charge of matters relating to shares, investments and fund raising of Burwill and Mr. Yu was not informed of the Share Repurchases before they were implemented. To the best knowledge of Mr. Yu, Burwill did not have a system in place to inform directors of Burwill of its share repurchases. Mr. Yu, together with seven executive directors of Burwill at that time, were subject to the Public Criticism. Mr. Yu believed that he had not discharged his duties properly in the Share Repurchases as a director of Burwill at that time because he had relied on his fellow directors to execute the Share Repurchases. Mr. Yu did not protest/appeal to the Public Criticism because Mr. Yu, acting honestly and in good faith, firmly believed that a director of a listed issuer should be individually and collectively responsible for the act and omission of the listed issuer concerned and he, as a then director of Burwill, should also be responsible for not procuring the compliance of Burwill with the Listing Rules. Mr. Yu, together with other Directors, has attended the directors’ training session conducted by Leung & Lau, legal advisers to the Company as to Hong Kong laws, and CIMB, the sponsor to the Company, in May 2010, and Mr. Yu, together with the other Directors, has confirmed in writing that he understood the duties and responsibilities that the Group and the Directors should bear and the continuing obligations of the Company under the Listing Rules. In addition, the Company has adopted a compliance manual shortly prior to the Listing, which sets out the internal guidelines that the Directors and the senior management should follow in relation to compliance with the Listing Rules.

Mr. Yu was a director and the legal representative of Xintong (Taizhou) which was a subsidiary of the Company prior to April 2010. The business licence of Xintong (Taizhou) was revoked by the local Administration of Industry and Commerce on 22 December 2009 due to its failure to participate in the annual inspection carried out by the local Administration of Industry and Commerce for the year 2008 within the prescribed time limit. As confirmed by the Company, it was the local staff of Xintong (Taizhou) who were responsible for handling daily operation including handling the annual inspection of Xintong (Taizhou) and as a director, Mr. Yu was not aware of any such information that the annual inspection had not been done by local staff. As advised by the Company’s legal advisors as to PRC laws, Xintong (Taizhou) shall proceed to liquidation within 15 days after its business licence is revoked, and shall apply for deregistration within 30 days upon completion of the liquidation process.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Though Xintong (Taizhou) did not commence its liquidation process within the required time period, it has completed its liquidation process and had its legal person status deregistered within 30 days of the completion of the liquidation process. According to the liquidation report, all the debts of Xintong (Taizhou) (which are zero) were settled and cleared and the shareholders of Xintong (Taizhou) shall not be liable for any outstanding claims against Xintong (Taizhou). Prior to the completion of the deregistration, subject to Article 20 of the PRC Company Law (i.e. the joint and several liability of the shareholders of a company in case of abusing its shareholder's rights), the liability of the shareholder of Xintong (Taizhou) shall be capped by its committed proportion of the registered capital in Xintong (Taizhou).

In addition, the shareholder of Xintong (Taizhou) may be subject to a fine in an amount equal to 5% to 15% of its committed proportion of the registered capital of Xintong (Taizhou), i.e. US\$500,500 to US\$1,501,500, due to its failure to pay up such registered capital on time. The Group has not been charged with any fine up to the Latest Practicable Date and in April 2010, the Group has disposed of all of its interest in Xintong (Taizhou) and Xintong (Taizhou) has ceased to be a member of the Group.

Under the PRC laws, if the legal representative of a PRC company is personally liable for the revocation of the business licence of such PRC company due to violation of law, such legal representative would be prohibited from serving as a director, supervisor or senior management of a PRC company for three years commencing from the date of revocation. As confirmed by the Company, it was the local staff of Xintong (Taizhou) who were responsible for handling daily operation including handling the annual inspection of Xintong (Taizhou) and as a director, Mr. Yu was not aware of any such information that the annual inspection had not been done by local staff. In addition, no third party had suffered any damages or losses as a result of such revocation of business licence and the directors of Xintong (Taizhou) had not received any fine or penalty so far. As advised by the Company's legal advisers as to PRC laws, there is no legal basis to conclude that Mr. Yu as the legal representative and a director of Xintong (Taizhou) would bear any personal liability as a result of the revocation of business licence. Accordingly, the Company's legal advisers as to PRC laws have advised that Mr. Yu would not be prohibited from serving as a director, supervisor or senior management of a PRC company.

In addition, as a general rule, under the PRC laws, directors may be personally liable for material losses (if any) incurred by the company if the board resolutions made, at a board meeting he/she presents and votes, violate the laws and regulations and the articles of association, except for such directors who have expressed his/her disagreement with such resolutions so made.

Taking into account the above, the Directors (including the independent non-executive Directors) are of the view that (i) despite the Public Criticism and the incident of a subsidiary of the Company having been revoked its business license as detailed above, Mr. Yu is fit to be the Chairman and an executive Director; and (ii) the Company would not bear any liability as a result of the Public Criticism and the incident of the revocation of the business license of Xintong (Taizhou) as detailed above. The Sponsor considers that the Public Criticism and the incident of revocation of the business license of Xintong (Taizhou) will not affect Mr. Yu's suitability to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chow Kin Wa (周建華先生) (“**Mr. Chow**”), aged 44, is an executive Director appointed on 10 March 2008 and Chief Executive Officer of the Group. He is one of the founders of the Group who co-founded the Group with Mr. Yu in 2005. He is responsible for the business development and trading activities of the Group. He also assists Mr. Yu, the Chairman, in overseeing the overall management, operations and the setting of corporate directions and strategies of the Group. In 1992, he joined Linkful Material Supply Limited as an executive trainee where he acquired knowledge and experience in multinational steel trading and was responsible for giving support to various senior executives and traders. He was promoted to trading manager and transferred to Linkful International Holdings Ltd. within the same group in 1997. In 1998, he joined Burwill Properties Limited (a subsidiary of Burwill Holdings Limited) as a trading manager and later promoted to deputy general manager to assist in the steel trading business. He left Burwill Properties Limited in December 2004 and started his own business in founding the Group in 2005. While working in these various positions and developing and running the Group’s business, he has acquired over 17 years of experience in multinational steel trading and manufacturing business. He holds a Bachelor of Science degree from the University of Hong Kong and a Master of Science degree in Information Systems from Hawaii Pacific University. Save for being an executive Director, Mr. Chow does not and did not hold any directorship in any other listed companies in the past three years. He is the younger brother of Mr. Chow Kin San, an executive Director.

Mr. Chow was a director of Xintong (Taizhou) which was a subsidiary of the Company prior to April 2010. The business licence of Xintong (Taizhou) was revoked by the local Administration of Industry and Commerce on 22 December 2009 due to its failure to participate in the annual inspection carried out by the local Administration of Industry and Commerce for the year 2008 within the prescribed time limit. As confirmed by the Company, it was the local staff of Xintong (Taizhou) who were responsible for handling daily operation including handling the annual inspection of Xintong (Taizhou) and as a director, Mr. Chow was not aware of any such information that the annual inspection had not been done by local staff. As advised by the Company’s legal advisers as to PRC laws, there is no legal basis to conclude that Mr. Chow as a director of Xintong (Taizhou) would bear any personal liability as a result of the revocation of the business license. The Directors (including the independent non-executive Directors) are of the view that, despite the revocation of business license of Xintong (Taizhou), Mr. Chow is fit to be an executive Director of the Company. The Sponsor considers that the incident of the revocation of the business license of Xintong (Taizhou) will not affect Mr. Chow’s suitability to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. Chow Kin San (周建新先生), aged 46, is an executive Director appointed on 1 June 2010. He is responsible for the Group’s corporate finance, corporate strategy and development, investment, investor relations and information technology. He is also the chairman of the Investment Committee since 1 September 2010. He joined the Group as a non-executive Director on 10 March 2008. Since 1992 he had been a director of Promark Enterprises Limited responsible for investment, project development and finance management until 2001. Since 1994, he had been working for Beijing Promark Computer Systems Co., Ltd. as the chief executive officer until he left in 1999. During this period, he was responsible for the corporate strategy and development, mergers and acquisitions as well as overseeing the whole company’s

DIRECTORS, SENIOR MANAGEMENT AND STAFF

operational activities. From 2000 to 2001, he worked for StreamingAsia.com Limited as the chief executive officer responsible for strategic operational management and initial public offering of the company. He is currently a director of Focus Capital Investment Inc. which was co-founded by him in 2002 and has since then been providing management and investment consultancy services in Asia and the USA. He is now also a non-executive chairman of Strategic Alliance Limited responsible for advising on corporate strategy and development for the company. He has over 18 years of experience in operations, finance, management and investment in trading and manufacturing environment in Asia and the USA. He holds a Master of Science in Electronic Commerce and Internet Computing and a Master of Business Administration from the University of Hong Kong and University of South Australia respectively. He is currently a fellow member of Association of International Accountants and National Institute of Accountants, member of Australasian Institute of Mining and Metallurgy, Singapore Institute of Directors and was also a fellow member of the Institute of Financial Accountants, and a member and a chartered marketer of the Chartered Institute of Marketing. He is the elder brother of Mr. Chow Kin Wa, an executive Director and Chief Executive Officer of the Group. Save for being a non-executive Director before 1 June 2010 and an executive Director thereafter, Mr. Chow Kin San does not and did not hold any directorship in any other listed companies in the past three years.

Independent non-executive Directors

Mr. Tang Chi Loong (曾子龍先生) (“**Mr. Tang**”), aged 41, is an independent non-executive Director appointed on 1 July 2009. He graduated from the Law faculty of the National University of Singapore and is an advocate and solicitor of the Supreme Court of Singapore. Mr. Tang has been a practising lawyer for more than 14 years with experience in diverse areas of the law. He is currently a partner in a law firm, Messrs Hin Tat Augustine and Partners overseeing the insurance law department of the firm. Mr. Tang also sits on the board of HLN Technologies Limited and Guangzhao Industrial Forest Biotechnology Group Limited, both listed on SGX-ST. He is the chairman of the Remuneration Committee and Nominating Committee and a member of the Audit Committee and Investment Committee.

Mr. Foo Teck Leong (符德良先生) (“**Mr. Foo**”), aged 45, is an independent non-executive Director appointed on 1 April 2010. Mr. Foo graduated from The National University of Singapore with a degree of Accountancy in 1989 and obtained a master of business administration at The University of Manchester in 2004. Mr. Foo is a member of the Institute of Certified Public Accountants of Singapore since 1994. Mr. Foo currently manages a business consultancy firm Red Dot Consult Pte Ltd and is a director of several privately held companies and Guangzhao Industrial Forest Biotechnology Group Ltd, a listed company in Singapore. He held senior positions in IDS Group and Singapore’s Inchcape Marketing Services Limited from 1994 to 2006 including Finance Director, Commercial Director and Group Financial Controller. He is the chairman of the Audit Committee and a member of the Remuneration Committee, Nominating Committee and Investment Committee.

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Mr. Tse To Chung, Lawrence (謝道忠先生) (“**Mr. Tse**”), aged 43, in an independent non-executive Director appointed on 19 November 2010. Mr. Tse graduated from the Faculty of Law of the University of Hong Kong in 1990. In 1996, he received a Master of Arts degree (major in Economics) from the University of Oklahoma in United States. Mr. Tse was admitted as a solicitor in the High Court of Hong Kong in 1993. Mr. Tse is a partner of Joyce Chan & Co, a law firm in Hong Kong. Mr. Tse has more than 17 years of legal practice experience. Mr. Tse does not and did not hold any directorship in any other listed companies in the past three years. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee.

SENIOR MANAGEMENT

Mr. Ho Sin Yam Patrick (何先蔭先生) (“**Mr. Ho**”), aged 46, is the Group Financial Controller of the Group. Mr. Ho holds a Bachelor of Arts (Honors) degree in Accountancy at City Polytechnic of Hong Kong (now known as City University of Hong Kong) and a degree of Master of Business Administration at the University of Hull, the United Kingdom. Mr. Ho joined the Group in 2008 and is responsible for the Group’s corporate finance, financial management, financial strategies, taxation, compliance and reporting, mergers and acquisitions, risk management and investor relations. Mr. Ho has extensive experience in audit, corporate management and financial management in companies in Singapore, Hong Kong and other Asia Pacific countries gained through his working in various positions in both audit and commercial fields. From 1989 to 1993, he worked for KPMG Peat Marwick as audit assistant, accountant, senior accountant and audit supervisor. From 1993 to 1996, he worked for MCI Financial Limited as manager and was mainly responsible for providing accounting and financial management services to corporate clients. In 1996 after he left MCI Financial Limited, he worked for Fitlady Hosiery Factory Ltd. as financial controller and was responsible for overseeing the finance and accounting department of the company. In 1997, he worked for Deloitte & Touche as audit manager responsible for conducting audit for listed and private companies. From 1998 to 2001, Mr. Ho joined Fu Yu Manufacturing Limited as finance manager with major responsibilities of overseeing the performance of regional and overseas subsidiaries, providing corporate support services to the subsidiaries, carrying out financial analysis on potential investments and managing foreign exchange risks. From 2001 to 2003, he worked for Flextech Holdings Limited as group financial controller where his major duties include managing the finance teams within the group, reviewing accounts of subsidiaries and consolidated accounts for the group, monitoring cash flow and budgeting of the group, etc. Thereafter, he worked as group financial controller in several companies, in charge of finance department, handling merger and acquisition deals, fund raising exercises, corporate restructuring activities, risk management and treasury function. He is a member of the Institute of Certified Public Accountants of Singapore (ICPAS), a fellow of Association of Chartered Certified Accountants (ACCA) and Hong Kong Institute of Certified Public Accountants (HKICPA).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Kwan Yee Mui Tonette (關儀梅女士) (“**Ms. Kwan**”), aged 44, is the Treasurer of the Group. Ms. Kwan graduated from the University of Hong Kong with a Bachelor of Arts degree in 1987. Ms. Kwan joined the Group in 2006 and is responsible for the overall finance and risk management of the Group. Ms. Kwan had been the regional head of the commodity finance divisions for several top tier foreign banks over the last 12 years. Prior to joining the Group, she spent 5 years in senior positions at Standard Chartered Bank and was the Hong Kong regional head of commodity corporates before she left and joined the Group. Prior to that, she worked for ANZ Bank in the capacity of deputy general manager/head of trade finance for 6 months after she left Fortis Bank where she was Deputy General Manager, Head of Hard Commodities, NE Asia in her last position. Ms. Kwan is experienced with the metal and steel industries, and commodity trade finance. While working at these various banks, Ms. Kwan had similar responsibilities, i.e., the overall banking requirements of corporate clients whose major business is/are commodities related such as metals and minerals, energy and gas, or agricultural commodities, ranging from classic and structured trade finance, cash management, corporate finance, mining finance, etc. Ms. Kwan does not and did not hold any directorship in listed companies in the past three years.

Mr. Ma Yiu Ming (馬耀明先生) (“**Mr. Ma**”), aged 49, is the Head of Operations of the Group. Mr. Ma holds a Bachelor degree and a Master degree of Business Administration at the Open University of Hong Kong. Mr. Ma is currently a fellow of The Institute of Chartered Shipbrokers. Mr. Ma joined the Group in 2006 and is responsible for the Group’s business coordination and integration of various functional departments such as operations, shipping, insurance and legal matters. He has over 25 years of experience in the international traffic and logistics business, particularly in shipping, insurance, cargo inspection, arbitration and legal consulting. From 1988 to 1996, Mr. Ma worked for Fairtrade Chartering (H.K.) Ltd. and his last position was assistant manager. During that period, Mr. Ma was responsible for chartering and operations of the company’s fleet. From 1996 to 1998, he worked for Metal Chartering Ltd. as chartering manager where his role was mainly managing the company’s chartering business. From 1998 to 1999, he worked for Wallem Services Limited as manager specialized in shipping investment where his major duties were managing the chartering and investment of the company’s fleet. From 1999 to 2006, Mr. Ma worked for Burwill Properties Limited with his last position being senior manager where he was responsible for shipping and chartering operations. Mr. Ma does not and did not hold any directorship in listed companies in the past three years.

Ms. Lam Ying Ngor (林瑛娥女士) (“**Ms. Lam**”), aged 53, is the Finance and Administration Manager of the Group. Ms. Lam obtained a degree of Bachelor of Science in Applied Accounting at the Oxford Brookes University in 2002. Ms. Lam joined Novostal HK, an associated company of the Group, in 2006 and joined the Group in 2007 and is responsible for the Group’s financial accounting, office administration and human resource functions. She has over 25 years accounting experience in international trading and manufacturing business, primarily in the metal and steel industries since she worked for OSL Office Systems Limited from 1985 to 1989 as an accountant. She worked for British Steel (Asia) Ltd. as an accountant from 1989 to 1994. She continued to work as an accountant from 1994 to 2005 in various companies: New Idea Technology (Int’l) Ltd. from 1994 to 1995; Yuen Tung Trading Limited

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from 1996 to 1998; Gallaria Furnishings International Ltd. from 1998 to 1999; Courtaulds Clothing (HK) Ltd. from 2000 to 2001; Camewould Electrical Ltd. from 2003 to 2004; U.S. Pacific Procurement Co., Ltd. from 2004 to 2005; Chung Nam Watch Co., Ltd. in 2005. Ms. Lam worked as assistant accounting manager from 2005 to 2006 for Wah Yuet Industrial Co. Ltd. Ms. Lam is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Ms. Lam does not and did not hold any directorship in listed companies in the past three years.

Mr. Chu Wai Lim (朱偉濂先生) (“Mr. Chu”), aged 42, is the Trade Finance Manager of the Group. Mr. Chu joined Thai Military Bank Public Company Limited in 1992 and started his career as bills clerk and was later promoted to senior bills clerk before he left in 1996. He worked for State Street Bank and Trust Company Hong Kong Branch from 1997 to 2003 where his last position was assistant supervisor of bills department. Mr. Chu joined Burwill Properties Limited in 2003 as officer in contract administration department responsible for handling shipping documents, import and export and documentary credit documents. He left Burwill Properties Limited and joined Monte Dei Paschi Di Siena Bank in 2004 as operations clerk and worked for approximately one year responsible for handling documentary credit documents. Mr. Chu worked for approximately half a year for The Hongkong & Shanghai Banking Corporation in 2005 as assistant bills officer also responsible for handling documentary credit documents before he joined the Group in 2005 and is responsible for the overall bills operations and trade finance of the Group. Mr. Chu has over 15 years of experience in several major banks and trading companies and has extensive knowledge in the documentation of letters of credit and trade finance. Mr. Chu received his secondary education in Hong Kong. He passed the Hong Kong Banking Certificate Examination prescribed by the Examination Panel of The Chartered Institute of Bankers Hong Kong Centre in 1995 and obtained a Higher Certificate in Banking at the Hong Kong Technical Colleges in 1998. Mr. Chu does not and did not hold any directorship in listed companies in the past three years.

Mr. Chan Ying Lap (陳英立先生) (“Mr. Chan”), aged 58, is the Assistant General Manager of the Group. Mr. Chan joined Novostal Pte Ltd., an associated company of the Group in 2006 and thereafter joined the Group in 2007 and is responsible for managing the operations of the Group’s Singapore office including its daily operations, trade financing, banking relationship and bills documentation. With over 25 years of relevant experience, he has worked for several major commodity banks in Hong Kong and Singapore prior to joining the Group. Mr. Chan received his secondary education in Hong Kong. Mr. Chan spent 17 years in the bills department of Hang Seng Bank Limited working as a clerical trainee and was promoted by stages to sub-accountant from January 1974 to January 1991. After that, he worked for some time as a staff officer at The Hongkong and Shanghai Banking Corporation Limited in 1991, a sub-accountant in bills department of the Wing On Bank Limited from March 1992 to June 1993, a deputy manager in bills department of Dah Sing Bank, Hong Kong from June 1993 to September 1998, trade finance officer for Select Business Services Pte Ltd for some time in 1999, a shipping supervisor for Universal Furniture from September 1999 through January 2000. Mr. Chan had also held several other positions, namely, export administrator for Asia Pulp & Paper Co. Ltd. from May 2000 to August 2002. He was a deputy manager for Vestwin Trading Pte Ltd. in 2002 and rejoined for some time in 2004. He worked as Head of Bills

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Operation Department for Banco Delta Asia SARL for some time in early 2004. Prior to joining Novostal Pte Ltd, Mr. Chan worked as bills checker for Clayton Bank from 2004 to 2005 and in Skandinaviska Enskilda Bankem AB in 2005. Mr. Chan does not and did not hold any directorship in listed companies in the past three years.

COMPANY SECRETARIES

Ms. Wee Woon Hong (黃溫芳女士) is one of the company secretaries of the Company. She graduated from the National University of Singapore (LLB Honours) in 1989, was called to the Singapore bar in 1990. She has been practising law in Singapore for more than 19 years and she is the founder and principal partner of Wee Woon Hong & Associates LLC, a law firm based in Singapore.

Mr. Lee Hock Heng (李福興先生) is one of the company secretaries of the Company. He is a qualified Chartered Secretary awarded by the Singapore Association of the Institute of Chartered Secretaries and Administration (SAICSA) with more than 10 years of corporate secretarial experience. From 2000 to 2005, he worked for Drew & Napier LLC, a law firm, as senior executive rendering corporate secretarial services. From 2005 to 2006, he worked for BDO Raffles, an audit firm, as manager responsible for overseeing corporate secretarial matters. He is now working for Wee Woon Hong & Associates LLC as corporate finance and corporate secretarial executive since 2006. He has also successfully completed the ACCA program.

Both Ms. Wee Woon Hong and Mr. Lee Hock Heng are ordinary residents of Singapore.

Ms. Wong Tak Yee (黃德儀女士) (“**Ms. Wong**”) is a director of the corporate services division of Tricor Services Limited (“Tricor”). Prior to joining Tricor in 2000, Ms. Wong was a senior manager of company secretarial services division at Deloitte Touche Tohmatsu in Hong Kong. Ms. Wong has over 25 years of experience in providing corporate secretarial services and has been providing professional services to Hong Kong listed companies for over 10 years. Ms. Wong, Chartered Secretary, is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She holds a degree of Master of Arts in English for the Professions from The Hong Kong Polytechnic University. Ms. Wong is an ordinary resident in Hong Kong.

DIRECTORS’ AND SENIOR MANAGEMENT’S REMUNERATION

The Remuneration Committee will regularly review and determine the remuneration and benefits in kind with reference to the duties, qualifications, experience and performance of the Directors.

Each of the executive Directors has entered into a service agreement with the Company. Each of the service agreements of Mr. Yu and Mr. Chow has a term of three years commencing from 1 May 2008 and that of Mr. Chow Kin San has a term of three years commencing from 1 June 2010, unless terminated by either party with not less than six months’ notice in writing to each other and thereafter for such period as the Board may so decide.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Pursuant to the terms of their respective service agreements, the annual salary (inclusive of fixed annual bonus comprising four months' salaries) of Mr. Yu, Mr. Chow and Mr. Chow Kin San are US\$320,000, US\$256,000 and US\$246,400 respectively.

Each of Mr. Yu, Mr. Chow and Mr. Chow Kin San is also entitled to a performance bonus ("Performance Bonus") based on the Group's audited consolidated profits before taxation ("PBT") as follows:

Director	PBT	Performance bonus
Mr. Yu	Where PBT is equal to or more than US\$8.8 million but less than US\$11.0 million	8.4% of PBT in excess of US\$8.8 million
	Where PBT is equal to or more than US\$11.0 million	10.5% of PBT in excess of US\$11.0 million plus an amount of US\$184,800
Mr. Chow	Where PBT is equal to or more than US\$8.8 million but less than US\$11.0 million	3.6% of PBT in excess of US\$8.8 million
	Where PBT is equal to or more than US\$11.0 million	4.5% of PBT in excess of US\$11.0 million plus an amount of US\$79,200
Mr. Chow Kin San	Where PBT is equal to or more than US\$8.8 million	3.0% of PBT in excess of US\$8.8 million

Each of the executive Directors shall also be entitled to the use of a car provided by the Group during their term of service.

For each of FY2008, FY2009, FY2010 and 1QFY2011, the aggregate remuneration paid to the Directors amounted to US\$171,025, US\$640,543, US\$1,378,581 and US\$134,947 respectively. The total estimated Directors' remuneration for the year ending 30 April 2011 is approximately US\$909,888, excluding any Performance Bonus.

The aggregate amount of salaries and other allowances and benefits in kind paid to the Group's five highest paid individuals in FY2008, FY2009, FY2010 and 1QFY2011 was US\$671,882, US\$423,046, US\$294,760 and US\$72,945 respectively.

Each of the independent non-executive Directors is not appointed for a specific term but is subject to retirement and rotation under the Articles. Each of Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence is entitled to an annual director's fee as follows.

Mr. Tang Chi Loong	S\$43,000
Mr. Foo Teck Leong	S\$45,000
Mr. Tse To Chung, Lawrence	HK\$180,000

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at the Latest Practicable Date, the Group had a total of 64 full-time employees. The following table shows a breakdown of employees of the Group by their functions as at that date:

	Hong Kong	Singapore	The PRC	India	Dubai	Total
Management	7	2	–	–	–	9
Finance, accounts and administration	9	2	10	–	–	21
Trading	10	1	6	1	–	18
Operations	4	–	6	–	1	11
Trade finance	2	1	–	–	–	3
Corporate finance	1	1	–	–	–	2

THE GROUP'S RELATIONSHIP WITH STAFF

The Group recognises the importance of having a good relationship with its employees. The remuneration payable to the employees includes salaries and allowances. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

STAFF BENEFITS

The Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where the Group operates. In accordance with applicable PRC laws and regulations on social insurance, the Group contributes to various social insurance plans such as pension contribution plans and unemployment insurance plans for the employees in the PRC. With respect to the Group's non-PRC employees, the Group also complies in all material respects with all statutory insurance obligations applicable to the Group under the laws on the respective jurisdictions.

The Group also offers its employees other benefits, including provident funds, company sponsored training.

STAFF REMUNERATION

The Group determines its staff's remuneration based on factors such as qualifications and years of experience. During the Track Record Period, the staff costs of the Group for FY2008, FY2009, FY2010 and 1QFY2011 (including Directors' and senior management's emoluments) were US\$1,736,575, US\$2,366,318, US\$3,285,596 and US\$659,934 respectively.

CORPORATE GOVERNANCE

The Group recognises the importance of corporate governance and importance of offering high standards of accountability to the Shareholders, and therefore has implemented the corporate governance model by setting up the Audit Committee, Remuneration Committee and Nominating Committee to enhance the long-term shareholder value.

Audit Committee

The Audit Committee currently comprises three members, all of whom are independent non-executive Directors, as follows:

Foo Teck Leong (*Chairman*)
Tang Chi Loong
Tse To Chung, Lawrence

The responsibilities of the Audit Committee are set out in the written terms of reference, which include the following:

- reviews the audit plans and results of the external auditors of the Company and the adequacy of the Company’s system of internal controls, the audit reports and management letters issued by the external auditors and the co-operation given by the Company’s management to the external auditors;
- makes recommendations to the Board on the appointment, re-appointment and removal of external auditors and internal auditors, and to review the remuneration and terms of engagement of the external auditors;
- reviews the nature and extent of non-audit services provided by the external auditors;
- reviews cost effectiveness and the independence and objectivity of the external auditors;
- reviews the significant financial reports so as to ensure the integrity of the financial statements of the Company and focus in particular on the changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit and compliance with financial reporting standards;
- reviews quarterly results announcements of the Group, before submission to the Board for approval for release to the SGX-ST and/or the Hong Kong Stock Exchange;
- reviews effectiveness of the Company’s material internal controls, including financial, operational and compliance controls and risk management and review the findings of the internal auditors of the Company;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- reviews interested person transactions in accordance with the requirements as defined in the Listing Manual of SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company;
- meets with the external auditors and internal auditor, in separate executive sessions without the presence of the management of the Company, to discuss any matters that the auditors believe should be discussed privately with the Audit Committee;
- reviews the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- undertakes such other functions, duties, reviews and projects as may be requested by the Board or as may be required by statute or the Listing Manual or the Listing Rules.

Nominating Committee

The Nominating Committee currently comprises three members, all of whom are independent non-executive Directors, as follows:

Tang Chi Loong (*Chairman*)
Foo Teck Leong
Tse To Chung, Lawrence

The Nominating Committee is regulated by a set of written terms of reference and its key functions include:

- reviews the structure, size and composition of the Board and to make recommendations to the Board with regards to any adjustment to the structure and size that are deemed necessary;
- makes recommendations to the Board on all Board appointments and re-appointments, having regard to each individual Director's contribution and performance;
- determines the criteria for identifying candidates and to review nominations for new appointments;
- reviews and to determine on an annual basis the independence of each Director;
- determines/proposes the objective performance criteria for the Board's approval and to review the Board's performance in terms of the performance criteria; and
- conducts a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board, particularly when a Director serves on multiple boards.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Remuneration Committee

The Remuneration Committee currently comprises three members, all of whom are independent non-executive Directors, as follows:

Tang Chi Loong (*Chairman*)
Foo Teck Leong
Tse To Chung, Lawrence

The Remuneration Committee is regulated by a set of written terms of reference. Its key functions include:

- recommends to the Board a framework of remuneration for each Director and senior management that are competitive and appropriate to attract, retain and motivate Directors and senior management of the required quality to run the Company successfully;
- reviews and determines the specific remuneration packages and terms of employment for each Director and senior management; and
- reviews and recommends to the Board on the implementation of any appropriate long term incentive schemes for the Directors and employees of the Group.

Investment Committee

The Investment Committee currently comprises three members, namely:

Chow Kin San (*Chairman*)
Tang Chi Loong
Foo Teck Leong

The Investment Committee's key functions include:

- reviews and makes recommendations on the Company's investment policies, development strategies and investment plans; and
- monitors the execution of the plans and use of funds in carrying out investment projects.

RESIGNATION OF INDEPENDENT DIRECTORS

On 23 June 2009, the Company announced on SGX-ST that Ms. Tan Siok Chin (“Ms. Tan”) resigned as an independent Director as she considered that the Company's management had not disseminated adequate and complete information in a timely manner for her to discharge her duties and obligations.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Company believes that Ms. Tan's decision originated from some incidents where Ms. Tan considered that she was not allowed enough time to peruse the information of new projects before the relevant board meetings.

The Company did not consider that Ms. Tan's resignation has reflected weakness in the Company's corporate governance and compliance. In consideration of the various uncertainties in the process of negotiation and discussion of potential projects with potential partners, the Company had taken a prudent approach to provide information of new projects to Directors at the earliest possible but not at pre-mature stage, i.e., when major terms and conditions were agreed by the relevant parties of the projects so as to avoid providing misleading information to the Directors. In addition, the other independent Directors of the Company at the relevant times had never made any similar complaint. The Directors (including the independent non-executive Directors), except Mr. Tse who was appointed on 19 November 2010 and has not yet attended any board meeting which is convened to approve any potential project, have confirmed that since they were appointed as Directors, the Company has provided them with sufficient information and time to make decisions about potential projects before the relevant board meetings.

Subsequent to Ms. Tan's resignation, the Company has made the following efforts in enhancing the communication between the executive Directors and the independent non-executive Directors with a view to ensuring all Directors have adequate and complete information in a timely manner for discharging their duties and obligations:

- (a) providing preliminary information to the Directors at an earlier stage and keeping them informed of the progress of the relevant project;
- (b) (where circumstances permit) providing more time to the Directors to review the information before the relevant board meetings (time given to the Directors in this regard has improved from 1-4 days before Ms. Tan's resignation to 3-7 days after Ms. Tan's resignation);
- (c) providing more frequent updates to the independent non-executive Directors of the Group's business development and progress of projects being under consideration; and
- (d) providing updates to the independent non-executive Directors of the projects which have previously been approved at the regular board meetings which are held on a quarterly basis.

Since Ms. Tan's resignation up to the Latest Practicable Date, no complaint has been received from any of the independent non-executive Directors regarding dissemination of information of the Group among the members of the Board.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In addition to the above efforts made by the Company since Ms. Tan's resignation, the Company has also implemented and will implement the following measures to further enhance the communication with the independent non-executive Directors and dissemination of information to them:

- (a) the Company has adopted a procedural manual (the "Manual") prepared by an independent professional firm which sets out the standard procedures for (i) convening and conducting board meetings such as channel of communication, the notice period, the information that should be disseminated, handling of request for additional information etc; and (ii) dissemination of information to Directors to ensure they are kept abreast of the Company's major decisions and transactions on a timely basis;
- (b) until the publication of the Company's financial results for the year ending 30 April 2012, (i) the Company will engage an independent professional firm to review, on a semi-annual basis, if the Company has followed the procedures set out in the Manual and to make recommendations for improvement, if any; (ii) a report containing the findings of the review (the "Findings") and the recommendations, if any, would be made available to all Directors; and (iii) the Findings would be disclosed in the Company's half-yearly and annual reports; and
- (c) the Company will, on a bi-monthly basis, provide a written report to all Directors which contains a summary of an update of the business performance as well as any major transactions or decisions undertaken by the Group during the immediately preceding two months.

The Sponsor is satisfied that the Group has established procedures, systems and controls which are sufficient to enable the Directors to make a proper assessment of the financial position and prospects of the Group, both before and after the Listing, pursuant to Rule 3A.15(5) of the Listing Rules, based on (i) the discussion with the management of the Company in respect of the Group's internal control measures which cover the Group's trading, accounting and management functions; and (ii) the discussion with the independent internal control reviewer and its review of the internal control report prepared by the independent internal control reviewer on the Group's internal control measures which cover the Group's trading, accounting and management functions.

On 27 August 2010, the Company announced on the SGX-ST that Mr. Chua Keng Hiang did not seek re-appointment as independent Director at the annual general meeting of the Company held on 27 August 2010 as Mr. Chua has served the Company for about two and a half years, and wished to retire at annual general meeting to pursue his professional and personal interests. The Company confirms that there is no other matter that needs to be brought to the attention of the Shareholders and the Hong Kong Stock Exchange in relation to Mr. Chua's retirement.

COMPLIANCE ADVISER

The Company has appointed CIMB, in accordance with Rule 3A.19 of the Listing Rules, as its compliance adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The material terms of the compliance adviser's agreement entered into between the Company and CIMB are as follows:

1. CIMB's appointment shall be for a period commencing on the date on which the Shares are listed on the Hong Kong Stock Exchange and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Company for the financial year ending 30 April 2012;
2. CIMB shall provide the Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany the Company to any meetings with the Hong Kong Stock Exchange; and
3. during the period of appointment, the Company must consult with, and if necessary, seek advice from CIMB on a timely basis in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (iii) where the Group's business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
 - (iv) where the Hong Kong Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, the following persons will, immediately following completion of the Introduction, have interests or short positions in any of the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO when the Shares are listed on the Hong Kong Stock Exchange, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at the general meetings:

Name of Shareholders	Capacity	Number and class of securities	Percentage shareholding in the same class of securities as at the Latest Practicable Date (note 1)
New Page (Note 2)	Beneficial owner	117,143,750 Existing Shares (Long position) (Note 3)	68.58%
Mr. Yu	Interest of controlled corporation	117,143,750 Existing Shares (Long position)	68.58%
	Beneficial owner	8,271,531 Existing Shares (Long position)	4.84%

Notes:

1. As at the Latest Practicable Date, the Company had 170,804,269 Existing Shares in issue.
2. New Page is owned as to 70% by Mr. Yu and as to 30% by Mr. Chow. By virtue of Part XV to the SFO, Mr. Yu is deemed to be interested in all the Shares owned by New Page.
3. To facilitate the role of the Bridging Dealer commencing from the pre-opening period on the first day of the Listing, the Bridging Dealer has established a mechanism in place to build up an ownership of a small inventory of Shares prior to the commencement of trading. Accordingly, there is a Stock Sale and Purchase Agreement entered into between New Page and the Bridging Dealer for the sale of an aggregate of 1,708,050 Existing Shares. Pursuant to such Stock Sale and Purchase Agreement, the Bridging Dealer shall sell and New Page shall repurchase the equivalent number of Shares it sold under the Stock Sale and Purchase Agreement, at the same price as such Shares were sold, not later than 13 business days after the Bridging Period End Date. In addition, there is a Stock Borrowing Agreement between New Page and the Bridging Dealer, pursuant to which New Page shall upon request by the Bridging Dealer lend up to the number of Shares it holds at the time of such request to the Bridging Dealer, on one or more occasions, and an equivalent number of Shares shall be returned to New Page no later than 13 business days after the Bridging Period End Date provided that any borrowing or redelivery of Shares shall not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and the Singapore Code. Further details of the Stock Sale and Purchase Agreement and the Stock Borrowing Agreement are set out in the paragraph headed "6. Bridging arrangements" in the section headed "Listings, registration, dealings and settlement" in this document.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, so far as the Directors are aware, there is no other person who will, immediately following the completion of the Introduction, have interests or short positions in any of the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at the general meetings.

SHARE CAPITAL

SHARE CAPITAL

All of the issued Shares of the Company comprise fully paid ordinary shares. The Company did not have any treasury shares as at the Latest Practicable Date. Pursuant to the Singapore Companies (Amendments) Act 2005, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

Details of the share capital of the Company's share capital are as follow:

	Amount
Issued share capital as at the Latest Practicable Date	S\$154,908,683
	Number of Shares
Issued shares as at the Latest Practicable Date	170,804,269

ASSUMPTIONS

The above table takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as described below.

ISSUING MANDATE

At the annual general meeting of the Company held on 27 August 2010, the Directors have been granted a general mandate to allot and issue the Shares not more than the sum of 50% of the total number of issued Shares excluding treasury shares, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments (as defined in the Company's Notice of Annual General Meeting dated 11 August 2010) made or granted pursuant to the resolution) to be issued other than on a pro rata basis to Shareholders shall not exceed 20% of the total number of issued Shares excluding treasury shares. The 50% limit in the foregoing sentence may be increased to 100% for issues of Shares and/or Instruments by way of a renounceable rights issue where Shareholders are entitled to participate in the same on a pro rata basis.

The above mandate shall, unless revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company required by law to be held, whichever is the earlier.

For further details of this issuing mandate, see the paragraph headed "Resolutions passed at the annual general meeting held on 27 August 2010 and the extraordinary general meeting held on 29 October 2010" in the section headed "Further information about the Company and its subsidiaries" in Appendix VI to this document.

SHARE CAPITAL

Notwithstanding the above, it must be noted that the Listing Rules provide that the general mandate obtained from Shareholders in general meeting shall be subject to a restriction that the aggregate number of Shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 20% of the existing issued share capital of the Company. Consequently, going forward, the Company will comply with the Listing Rules in relation to the issue of general mandate as the Listing Rules are generally more onerous than the Listing Manual in this aspect.

REPURCHASE MANDATE

At the annual general meeting of the Company held on 27 August 2010, resolutions of Shareholders were passed pursuant to which, amongst other things, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the Shares not exceeding in aggregate 10% of the total number of issued Shares of the Company at the date of grant of such repurchase mandate, at such price or prices as may be determined by the Directors from time to time up to the price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed (i) in the case of a market purchase, one hundred and five per cent. (105%) of the average closing market price of the Shares transacted on the SGX-ST over the last five (5) market days (on which transactions in the Shares are recorded) immediately preceding the date of the market purchase by the Company; and (ii) in the case of an off-market purchase, one hundred and twenty per cent. (120%) of the highest price a Share is transacted on the SGX-ST on the market day (when transactions in the Shares are recorded) immediately preceding the date on which the Company announces an off-market purchase offer stating the purchase price and the relevant terms of the equal access scheme.

The repurchase mandate shall, unless revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next annual general meeting or the date by which the next general meeting of the Company is required by law to be held, whichever is the earlier.

The repurchase mandate was made in accordance with the Listing Manual. In the event that the Company shall purchase its own shares after Listing, it is required to comply with the more onerous requirements under both the Listing Rules and the Listing Manual.

For further details of this repurchase mandate, see the paragraph headed “Resolutions passed at the annual general meeting held on 27 August 2010 and the extraordinary general meeting held on 29 October 2010” in the section headed “Further information about the Company and its subsidiaries” in Appendix VI to this document.

RULE 9.09 OF THE LISTING RULES

The Company has applied for and has been granted a waiver by the Hong Kong Stock Exchange in relation to the strict compliance with Rule 9.09 of the Listing Rules. Please refer to the paragraph headed “Dealings in the Shares prior to the Listing” in the section headed “Waivers” in this document for details of the waivers.

SHARE CAPITAL

RULE 10.07 AND RULE 10.08 OF THE LISTING RULES

The Company and the Controlling Shareholders have applied for and have been granted a waiver by the Hong Kong Stock Exchange in relation to the strict compliance with Rules 10.07 and 10.08 of the Listing Rules. Please refer to the paragraph headed “Issuance of securities and non-disposal of Shares” in the section headed “Waivers” in this document for details of the waivers.

TRADING PRICES AND VOLUME ON SGX-ST

The following table sets forth the reported high, low, month/period end and monthly/period average of the closing trading prices on SGX-ST for the Shares from 28 April 2008 (being the date when the Shares commenced trading on the main board of SGX-ST) until the Latest Practicable Date. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Listing. Please refer to the section headed “Risk Factors – Risks relating to the dual primary listing of the Company – There are different characteristics between the Singapore stock market and Hong Kong stock market” in this document.

	Per Existing Share			
	<i>(Note)</i>			
	High	Low	Month/ period end	Monthly/ period average
	(S\$)	(S\$)	(S\$)	(S\$)
2008				
April (from 28 April)	0.860	0.800	0.800	0.820
May	0.800	0.640	0.700	0.688
June	0.700	0.600	0.660	0.654
July	0.700	0.620	0.620	0.653
August	0.720	0.600	0.620	0.663
September	0.620	0.400	0.400	0.548
October	0.560	0.240	0.280	0.343
November	0.340	0.180	0.180	0.278
December	0.640	0.160	0.560	0.449

SHARE CAPITAL

	Per Existing Share (Note)			
	High (S\$)	Low (S\$)	Month/ period end (S\$)	Monthly/ period average (S\$)
2009				
January	0.600	0.460	0.600	0.555
February	0.600	0.520	0.560	0.563
March	0.500	0.400	0.400	0.448
April	0.420	0.400	0.400	0.411
May	0.520	0.360	0.400	0.420
June	0.520	0.360	0.500	0.468
July	0.600	0.480	0.480	0.506
August	0.520	0.460	0.460	0.484
September	0.580	0.420	0.540	0.492
October	0.540	0.480	0.480	0.510
November	0.740	0.480	0.740	0.542
December	0.720	0.540	0.720	0.673
2010				
January	1.080	0.800	0.980	0.944
February	0.940	0.780	0.860	0.844
March	1.060	0.860	0.960	0.914
April	1.000	0.820	0.820	0.921
May	0.840	0.660	0.660	0.768
June	0.880	0.640	0.780	0.775
July	0.820	0.740	0.800	0.785
August	0.860	0.720	0.720	0.762
September	0.800	0.720	0.740	0.760
October	0.780	0.720	0.720	0.748
November (up to the Latest Practicable Date)	0.720	0.680	0.695	0.698

Source: Bloomberg

Note: The EGM held on 29 October 2010 approved, among other matters, the Share Consolidation which became effective on 15 November 2010, under which, every four Pre-consolidated Shares were consolidated into one Existing Share. The closing trading prices of the Shares as adjusted as a result of the Share Consolidation (other than closing trading prices of the Shares recorded on or after 15 November 2010) are set out above for illustrative purpose.

SHARE CAPITAL

The following table sets forth the average daily trading volume and turnover of each month/period of the Shares from 28 April 2008 (being the date when the Shares commenced trading on the main board of SGX-ST) until the Latest Practicable Date.

	Existing Shares (Note)	
	Average daily volume	Average daily turnover (S\$)
2008		
April (from 28 April)	1,671,917	1,435,342
May	261,263	182,574
June	34,237	22,572
July	6,250	3,846
August	12,000	7,681
September	15,917	7,859
October	27,389	8,178
November	28,472	8,156
December	173,426	88,507
2009		
January	228,885	118,473
February	39,893	20,972
March	83,400	35,433
April	9,536	3,761
May	37,688	15,634
June	177,932	83,640
July	57,206	28,464
August	362,547	185,338
September	84,875	42,230
October	42,339	20,263
November	194,354	100,934
December	67,691	43,682

SHARE CAPITAL

	Existing Shares	
	<i>(Note)</i>	
	Average daily volume	Average daily turnover (S\$)
2010		
January	2,831,963	2,739,344
February	1,320,472	1,152,129
March	2,131,272	2,041,095
April	1,801,012	1,721,562
May	363,713	281,868
June	546,136	441,839
July	164,750	130,072
August	359,048	282,577
September	338,798	263,233
October	178,333	133,981
November (up to the Latest Practicable Date)	92,308	64,365

Source: Bloomberg

Note: The EGM held on 29 October 2010 approved, among other matters, the Share Consolidation which became effective on 15 November 2010, under which, every four Pre-consolidated Shares were consolidated into one Existing Share. The daily trading volume of each month of the Shares as adjusted as a result of the Share Consolidation (other than closing trading volumes of the Shares recorded on or after 15 November 2010) are set out above for illustrative purpose.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with the audited consolidated financial statements of the Group for the three years ended 30 April 2010 and three months ended 31 July 2010 and the notes thereto included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with the IFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The Company will prepare the financial statements in accordance with IFRSs and if required under other applicable laws and regulations, SFRSs after Listing. The Company will apply for an approval from Accounting and Corporate Regulatory Authority or the relevant authorities for preparation of the financial statements in accordance with the IFRSs.

For factors that could cause or contribute to such differences, please refer to the section headed "Risk factors" and elsewhere in this document. Unless otherwise indicated, all financial data, whether presented on a consolidated basis or by segment, is presented net of inter-segment transactions (i.e., inter-segment and other inter-company transactions have been eliminated).

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. The Group's business and financial performance are subject to risks and uncertainties and its future results could differ materially from those set forth in forward looking statements herein due to a variety of factors including those set forth in the section headed "Risk factors".

OVERVIEW

The Group is principally engaged in trading and distribution of steel products and their raw materials. The trading and distribution operation of the Group is separated into and operated under two business segments: (i) international trading; and (ii) domestic trading and distribution.

In November 2009, the Group expanded its product range to include coal. During FY2010, the Group is also engaged in the provision of chartering services. In view of the fact that the relevant time charter agreement expired in April 2010 and the then increase in chartering rate, the Group has not chartered new vessels for the time being. The Directors expect that the revenue from coal trading and provision of chartering services will not contribute significantly to the Group's revenue in the near future.

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FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following factors affect the results of operations and financial condition of the Group:

The Group is reliant on banking facilities to finance trading activities

As commodities trading is a capital intensive business, the Group is reliant on banking facilities to finance the purchase of steel products and their raw materials and coal for trading activities. During the Track Record Period, the banking facilities available to the Group were mainly for issuance of L/C on a back-to-back basis, while other facilities used by the Group include freight financing and prepayment financing. Details of the banking facilities as at 30 April 2008, 30 April 2009, 30 April 2010, 31 July 2010 and as at 30 September 2010 are as follows:

	Principal amount of banking facilities available to the Group (A) US\$	Amount utilised by the Group (B) US\$	Unutilised amount (A)-(B) US\$
As at 30 April 2008	356,923,077	189,245,871	167,677,206
As at 30 April 2009	339,401,000	91,100,064	248,300,936
As at 30 April 2010	305,743,993	180,975,530	124,768,463
As at 31 July 2010	331,951,363	57,556,362	274,395,001
As at 30 September 2010	331,934,152	24,597,981	307,336,171

In the event that the banks or other financial institutions providing the existing banking and credit facilities to the Group do not continue to provide the existing or similar facilities and/or the Group is unable to obtain other sources of funding, its operations and financial performance may be adversely affected. Further, any significant fluctuations in interest rates may adversely affect the financial performance of the Group. For example, if the interest rates increase, the Group will be required to pay more interest expenses to the banks or other financial institutions to finance the commodities trading before the customers make payments to the Group and hence the finance costs of the Group will be increased which will in turn have a negative impact on the financial performance of the Group. In addition, under this situation, the cost incurred by customers of the Group for purchases from the Group may also be increased, which may result in the customers making less purchase (in terms of quantity) from the Group and in turn affect the Group's financial performance accordingly.

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The Group is reliant on a small number of suppliers for substantial portion of supplies

The Group sourced from 39, 61, 71 and 82 suppliers for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The top five suppliers of the Group accounted for approximately 61.0%, 46.2%, 47.4% and 72.9% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011 respectively. The largest supplier accounted for approximately 26.0%, 19.9%, 10.9% and 27.7% of the Group's total purchases for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

Save for the entering into of some framework agreements with some of its suppliers whereby the Group and the suppliers will agree on a target supply volume in one year, the Group has not entered into any long term supply contracts with its suppliers. The parties to such framework agreements have not expressly excluded the legally-binding effect of those framework agreements. If the Group is unable to maintain its business relationships with its major suppliers for raw materials and steel products or, if a number of its suppliers encounter difficulties in their operations and reduce or cease their business relationships with the Group and the Group is not able to secure alternative sources of supply, the Group may not be able to fulfill its sales orders or be subject to increased costs. As such, the Group's operating results and profitability may be adversely affected.

The Group faces risk of default by its suppliers and/or customers

Steel is a commodity that is characterised by price volatility. During the Track Record Period, steel price experienced substantial fluctuations. If the steel price suddenly increases sharply, the suppliers may renege on their contractual obligations to the Group and sell the goods ordered by the Group to third parties at a higher price. In such an event, the Group may face difficulties in fulfilling its obligations to its customers who have contracted to purchase such steel products from the Group. Conversely, if the steel price suddenly drops sharply, the customers may not honour their contractual obligations with the Group to purchase the steel products the Group has ordered as they may be able to purchase the same from the market at a lower price. In such an event, the Group is still obliged to fulfil its contractual obligations to purchase the steel products from its suppliers.

In domestic trading and distribution, the Group keeps inventories for customers for a certain period. As such, the Group faces the risk of default by customers in case of sharp drop in the steel price.

During the Track Record Period, the Group experienced four incidents of default by its suppliers and one incident of default by its customer. The total contract value of the defaults by the suppliers and the customer was approximately US\$53.4 million and US\$3.3 million respectively.

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In the case of default by the suppliers, the Group either persuaded the corresponding customers to cancel the contracts without compensation or purchased similar products from alternative suppliers to fulfill the Group's contractual obligations owed to the corresponding customers. On the other hand, the Group required the defaulting suppliers to compensate for the loss caused by their defaults, and in absence of an amicable settlement agreement, the Group instigated legal proceedings such as arbitration against the defaulting suppliers for their breach of contracts. The total contract value of the defaults by the suppliers represented approximately 1.6%, 4.0%, 7.5% and 0% of the total purchases of the Group for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

In the case of default by the customer, the Group resold the subject products to other customers at market prices while at the same time obtained an arbitration award against the defaulting customer. The total contract value of the default by the customer represented approximately 0%, 0.6%, 0% and 0% of the revenue of the Group for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

The amount of arbitration award obtained during the Track Record Period against the defaulting suppliers and customer was approximately US\$2.3 million. These awards are still in the enforcements stage. During the Track Record Period, the total amount of compensation received by the Group from defaulting suppliers and customers without instigating legal proceedings was approximately US\$2.2 million and the total amount the Group compensated to its customers and suppliers was approximately US\$18,500.

During the Track Record Period, there were a total of three arbitration proceedings in which the Group was the claimant claiming for an aggregate amount of approximately US\$7.3 million, among which a total of, as mentioned above, US\$2.3 million for two arbitration proceedings had already been awarded and pending the PRC courts granting the order for enforcement. For the remaining one, the Group entered into a settlement agreement with the defaulting supplier in August 2010 and received US\$1.7 million for final settlement of the dispute. The two arbitration proceedings against suppliers arose from the suppliers' failing to deliver the products in accordance with the contracts and the one arbitration proceedings against a customer arose from the customer's failing to issue the L/C as per the contract at the taking of delivery of the products. In case the Group needs to enforce the arbitration awards in local courts of the PRC, the time required to complete the enforcement procedures would be highly dependent on the courts' discretion.

In addition, the Group might lose opportunity to profit as a result of default by suppliers if the Group is not able to source from alternative suppliers to satisfy customers' needs, or default by customers if the Group is not able to resell the products to other customers at comparable prices, the Group might suffer from loss of profit.

During the Track Record Period, there was only one arbitration proceedings regarding a quality claim by a customer in which the Group was the respondent with claimed amount of approximately US\$1.3 million. Based on one of the terms of the sales contract which was the subject of the arbitration case against the Group, the Group was requested to compensate for

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the differential in quality content of the iron ore sold to the claimant, which was based on the surveyor's reports conducted at the loading port and the discharging port. Before the arbitration proceedings were commenced, the Group offered to pay compensation in the amount of approximately US\$0.2 million to the claimant. However, the claimant rejected the offer and claimed for approximately US\$1.3 million. The Group considered the claimed amount was unreasonable and therefore agreed to refer the dispute to arbitration. Finally, the Group was required to pay approximately US\$0.2 million only as compensation to the claimant according to the arbitration award granted against the Group.

In the event that the Group has to resort to legal proceedings to enforce its contractual rights against its suppliers and/or customers for any default as aforesaid, such events would have an unfavourable impact on its business.

As mentioned above, during the Track Record Period, there was only one arbitration case the Group was the respondent being claimed by a customer, in which the claimant obtained an award of approximately US\$0.2 million against the Group. In another arbitration case during the Track Record Period, the Group had obtained an arbitration award against the respondent who, as mentioned above, was the Group's customer who had failed to issue the L/C as per the contract at the taking of delivery of the products (who was the claimant in the abovementioned arbitration case in which it obtained an award against the Group), and the Group was awarded a compensation of approximately US\$727,000. As advised by the Company's legal advisors as to PRC laws, under the PRC contract law, upon the relevant PRC court gives its final decision to enforce the relevant award, the Group would be entitled to off-set its liabilities of the said approximately US\$0.2 million against the award of approximately US\$727,000 in the Group's favour. Therefore, based on financial reporting standards, no provision is required to be made for the award against the Group.

The Group takes the following steps to mitigate or minimise its risk of default by suppliers and/or customers:

- checking reputation of new suppliers/customers before entering into transactions;
- requesting for performance bond and/or advance payment;
- placing credit risk insurance coverage;
- ceasing business with any company that has bad performance including default;
- working on a back-to-back basis;
- trying to shorten lead time on delivery of cargo from date of signing contract to time of shipment; and
- requesting traders to follow each order closely to make sure both suppliers / customers perform as per contract, and report any deviation to top management for actions timely to prevent any potential defaults.

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Cyclical nature of the steel industry

The steel industry is cyclical in nature, reflecting fluctuation in market demand for steel products and is affected by other industries which are heavily relied on steel products. There can be no assurance that international steel price will not decline in the future. Fluctuation in international steel price may cause fluctuation on market demand on steel products, which may, as a result, adversely affect the business of the Group.

Demand for steel products in a market is primarily affected by the economic conditions including the government's monetary and fiscal policies, supply and demand in the international steel market and fluctuations in the demand of industries with heavy usage of steel, such as shipbuilding, construction, automobile and machinery industries.

The PRC market, currently being the Group's largest market, may experience cyclical fluctuations in market demand for steel products in the future. If the demand for steel products decreases in the PRC, the business of the Group will be adversely affected in terms of, among others, revenue, profit and profit margin.

As mentioned above, the Group keeps inventories for customers in domestic trading and distribution. Due to the cyclical fluctuation of steel price, at times of price slumps and in case where customers fail to perform the relevant sales contracts, the Group's financial performance may be adversely affected as the Group will then be required to make provision for such inventories according to the Group's accounting policy.

Adverse impact caused by any adverse development in steel related sectors in the PRC

The clients of steel products of the Group are mainly from steel related sectors in the PRC including but not limited to steel mills, steel processing plants, steel manufacturing plants and steel fabrication plants. As a result, the performance of steel related sectors in the PRC could affect the Group's performance. Any adverse development in the steel related sectors in the PRC, such as the actions taken by the PRC government in relation to the steel related sectors, could have a material adverse effect on the Group's operational and financial conditions. For instance, the recent PRC overheated economy has led to some measures adopted by the PRC government to cool down the economy, particularly on the property sector which, in turn, is expected to affect the steel industry.

The Group faces risks in relation to the possible impact caused by future financial crisis

The global financial crisis in late 2008, which was reflected by the credit tightening, the increased unemployment rate and the liquidity problems of financial institutions, have adversely affected the world economies.

During the Track Record Period, the Group's gross profit margin fluctuated and dropped significantly in FY2009 which was attributable to the global financial crisis in late 2008 resulting in the sharp plunge in prices of steel products especially for raw materials. With a

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deteriorating worldwide economy, demand for commodities products may diminish, which in turn will affect the demand for the Group's products. In addition, the credit tightening environment may aggravate the Group's interest expenses on the bank borrowings, or the banks may even reduce the amount of, or discontinue, the banking facilities granted to the Group. If the economic downturn continues, the Group's operational and financial conditions may be adversely affected.

Market competition

The Group from time to time faces competition in isolated transactions where it happens to sell the same or similar products to the same market as other steel traders. As such, the Group has to compete with many rivals for both raw materials and end products. Competition for sales of end products is based on price and quality, customer service and timely delivery. Should the Group fail to provide satisfactory service to its customers, the Group's operational and financial conditions might be adversely affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The financial statements of the Group have been prepared in accordance with IFRS. The Group's accounting policies and accounting estimates and judgements are set out in the notes to the Accountants' Report contained in Appendix I to this document. Different accounting policies, estimates and judgements in critical areas could lead to materially different results. Estimates and judgements are continually evaluated and are based on historical experience, information currently available to the Group and other factors, including expectations of future events that are believed to be reasonable under the circumstances and assessment of the business of the Group. The use of estimates is an integral component of the financial reporting process, and the Group's actual results could differ from these estimates.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Group's financial statements. It is believed that the following critical accounting policies are among those that involve the most significant judgements and estimates used in the preparation of the consolidated financial statements of the Group.

Significant accounting policies

Revenue and other operating income

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods net of 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.

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These are recognised on the following basis:

<i>Sales of goods –</i>	when significant risks and rewards of ownership of the goods are transferred to the buyers.
<i>Revenue from provision of chartering services –</i>	on a time proportion basis in accordance with the daily charter rate stated in the charter hire agreement for the number of days under charter.
<i>Interest income –</i>	on a time proportion basis using the effective interest method.

Goodwill

Goodwill arising on the acquisition of a subsidiary, or associated companies represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associated company recognised at the date of acquisition. Goodwill on subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, and 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, and 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 a subsequent period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use less any trade discounts and rebates.

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.

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Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in profit or loss during the financial year when it is incurred.

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 revaluation reserve relating to that asset is transferred to retained earnings, if applicable.

Depreciation is calculated so as to write off the cost of all property, plant and equipment, less any estimated residual value, if any, over their estimated useful lives using the straight-line method as follows:

	Number of years
Leasehold land and buildings (*)	40 to 50 years
Furniture and equipment	5 to 20 years
Computer equipment	3 to 6 years
Motor vehicles	5 years
Renovation	5 years

* Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and the buildings' estimated useful lives.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Impairment

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

Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the 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 amount previously written off are recognised against same line item in profit or loss.

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Borrowing costs

Borrowing costs 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.

Impairment of non-financial assets

At each balance sheet date, the Group reviews 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.

The 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.

Provision

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly to equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity. Deferred tax assets and liabilities are not discounted.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses.

Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements apart from those involving estimations which have significant effect on amounts recognised in the financial information.

Impairment of investments and financial assets

The Group follows the guidance of IFRS 39 in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement by the Group which evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost, and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

Depreciation of property, plant and equipment

Management estimates the useful lives of the Group's property, plant and equipment to be within 3 to 50 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment is based on commercial factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised.

MANAGEMENT DISCUSSION AND ANALYSIS

Track Record Period

The following table summarises the Group's consolidated results for the Track Record Period prepared on the basis set out in note 2 to the audited consolidated financial statements set forth in the Accountants' Report contained in Appendix I to this document. Potential investors should read this section in conjunction with the Accountants' Report contained in Appendix I to this document and not rely merely on the information contained in this section.

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The basic and diluted earnings per Share for profit attributable to equity holders of the Company do not take into account the effect of the Share Consolidation because the Share Consolidation has not become effective during the Track Record Period.

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
				(Unaudited)	
Revenue	479,969,874	523,692,353	403,023,420	103,734,371	117,192,112
Cost of sales	<u>(415,096,454)</u>	<u>(477,702,393)</u>	<u>(347,332,201)</u>	<u>(94,956,900)</u>	<u>(110,488,449)</u>
Gross profit	64,873,420	45,989,960	55,691,219	8,777,471	6,703,663
Other operating income	1,123,834	2,073,230	4,052,324	215,065	623,536
Distribution and selling expenses	(45,894,994)	(37,026,251)	(39,592,434)	(3,389,530)	(4,179,339)
Administrative expenses	(2,568,923)	(3,985,671)	(5,594,622)	(965,777)	(1,156,266)
Goodwill arising from the Reverse Acquisition	(1,932,462)	-	-	-	-
Other operating expenses	227,167	(1,911,476)	276,215	36,944	52,380
Finance costs	(2,721,155)	(2,865,437)	(1,072,572)	(433,366)	(258,781)
Share of results of associated companies	<u>(77,917)</u>	<u>(613,754)</u>	<u>(52,568)</u>	<u>(27,722)</u>	<u>(21,688)</u>
Profit before income tax	13,028,970	1,660,601	13,707,562	4,213,085	1,763,505
Income tax	<u>(1,418,776)</u>	<u>(93,813)</u>	<u>(1,691,231)</u>	<u>(278,101)</u>	<u>(188,966)</u>
Profit for the year/period	<u><u>11,610,194</u></u>	<u><u>1,566,788</u></u>	<u><u>12,016,331</u></u>	<u><u>3,934,984</u></u>	<u><u>1,574,539</u></u>
Attributable to:					
Equity holders of the Company	11,610,156	1,586,621	11,775,484	3,918,144	1,496,791
Minority interests	<u>38</u>	<u>(19,833)</u>	<u>240,847</u>	<u>16,840</u>	<u>77,748</u>
	<u><u>11,610,194</u></u>	<u><u>1,566,788</u></u>	<u><u>12,016,331</u></u>	<u><u>3,934,984</u></u>	<u><u>1,574,539</u></u>
Earnings per share (in cents)					
Basic	2.49	0.25	1.90	0.64	0.22
Diluted	<u>2.49</u>	<u>0.25</u>	<u>1.90</u>	<u>0.64</u>	<u>0.22</u>

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	FY2008 <i>US\$</i>	FY2009 <i>US\$</i>	FY2010 <i>US\$</i>	1QFY2010 <i>US\$</i> (Unaudited)	1QFY2011 <i>US\$</i>
Profit for the year/period	11,610,194	1,566,788	12,016,331	3,934,984	1,574,539
Other comprehensive (expenses)/income					
Exchange differences on translation of the Group's overseas operations	<u>(694)</u>	<u>(2,817)</u>	<u>4,030</u>	<u>(1,539)</u>	<u>41,453</u>
Other comprehensive (expenses)/income for the year/period, net of tax	<u>(694)</u>	<u>(2,817)</u>	<u>4,030</u>	<u>(1,539)</u>	<u>41,453</u>
Total comprehensive income for the year/period	<u><u>11,609,500</u></u>	<u><u>1,563,971</u></u>	<u><u>12,020,361</u></u>	<u><u>3,933,445</u></u>	<u><u>1,615,992</u></u>
Attributable to:					
Equity holders of the Company	11,609,462	1,586,984	11,778,174	3,916,386	1,534,438
Minority interests	<u>38</u>	<u>(23,013)</u>	<u>242,187</u>	<u>17,059</u>	<u>81,554</u>
Total comprehensive income for the year/period	<u><u>11,609,500</u></u>	<u><u>1,563,971</u></u>	<u><u>12,020,361</u></u>	<u><u>3,933,445</u></u>	<u><u>1,615,992</u></u>

Major components of the consolidated income statements

Revenue

During FY2008 and FY2009, the Group's revenue only comprised sales of steel products. The Group commenced to engage in the trading of coal and the provision of chartering services during FY2010 and accordingly, the Group's revenue for FY2010 comprised sales of steel products, sales of coal and provision of chartering services. During the Track Record Period, sales of steel products accounted for 100%, 100%, approximately 96.3% and 97.1% of the Group's revenue for FY2008, FY2009, FY2010 and 1QFY2011 respectively. During FY2010, apart from sales of steel products, the Group was also engaged in sales of coal and provision of chartering services, which in aggregate, accounted for the remaining approximately 3.7% of the Group's revenue for that year. In view that the relevant time charter agreement expired in April 2010 and the then increase in chartering rate, the Group has not chartered new vessels for the time being. During 1QFY2011, coal trading accounted for approximately 2.9% of the Group's revenue. The Directors expect that the revenue from coal trading and provision of chartering service to the Group's business will not contribute significantly to the Group's revenue in the near future.

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During the Track Record Period, the Group's revenue fluctuated. The Group recorded revenue of approximately US\$480.0 million for FY2008, approximately US\$523.7 million for FY2009, approximately US\$403.0 million for FY2010 and approximately US\$117.2 million for 1QFY2011. The Board attributed the increase in revenue for FY2009 mainly to the increase in revenue from the semi-finished product segment of approximately US\$84.4 million and the raw materials and other products segments of approximately US\$35.8 million as a result of strong demand of such products in North Asia and South East Asia. Such increase was off-set by the decrease in revenue from the finished products segment of approximately US\$76.6 million. Despite the increase in tonnage of steel products sold in FY2010, the revenue in FY2010 dropped which was mainly attributable to the plunge of steel price after the global financial crisis, European sovereign debt problem and the change in product mix. Further information on the steel price trends is set out in the section headed "Industry overview" in this document.

The steel products sold by the Group during the Track Record Period could be categorised into four product segments:

- raw materials for integrated steel mills, including iron ores and scraps;
- semi-finished products from integrated steel mills, including steel billets and steel slabs;
- finished products, including steel plates, hot rolled coils, cold rolled coils, wire rods and deformed bars; and
- special and coated products, including galvanized steel coils, pre-painted galvanized steel coils and tinplates.

The table below sets forth the breakdown of the Group's revenue by geographical location during the Track Record Period:

	FY2008 US\$	FY2009 US\$	FY2010 US\$	1QFY2010 US\$ (Unaudited)	1QFY2011 US\$
North Asia (<i>Note 1</i>)	138,865,375	161,854,055	286,418,253	90,156,489	88,091,419
South East Asia (<i>Note 2</i>)	157,444,568	183,198,579	116,503,127	13,577,882	25,337,402
India and Middle East (<i>Note 3</i>)	81,714,526	80,246,634	–	–	3,383,499
Others (<i>Note 4</i>)	101,945,405	98,393,085	102,040	–	379,792
Total:	<u>479,969,874</u>	<u>523,692,353</u>	<u>403,023,420</u>	<u>103,734,371</u>	<u>117,192,112</u>

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Notes:

1. North Asia principally includes Hong Kong, Macau, the PRC and Taiwan.
2. South East Asia principally includes Philippines, Singapore, Thailand and Vietnam.
3. Middle East principally includes Dubai and Jordan.
4. Others principally include Belgium, Brazil, Italy and Spain.

As illustrated in the above table, North Asia and South East Asia were the Group's principal markets during the Track Record Period. During the Track Record Period, sales to North Asia accounted for approximately 28.9%, approximately 30.9%, approximately 71.1% and approximately 75.2% of the Group's revenue for FY2008, FY2009, FY2010 and 1QFY2011 respectively and sales to South East Asia accounted for approximately 32.8%, approximately 35.0%, approximately 28.9% and approximately 21.6% of the Group's revenue for FY2008, FY2009, FY2010 and 1QFY2011 respectively. Sales to the PRC market has been substantially increased starting from late 2008 principally due to the growth of PRC domestic market resulted from the PRC government's stimulus package aimed at bolstering domestic spending, including construction and infrastructure activities, after the global financial crisis in late 2008. The significant growth in sales to South East Asia was mainly attributable to the increase in demand for semi-finished products before the global financial crisis in late 2008. Sales to non-Asian countries decreased due to the continuous drop in demand for steel products resulting from the weak markets in Europe after the outbreak of the global financial crisis in late 2008.

The trading operation of the Group can be broadly classified into (i) international trading; and (ii) domestic trading and distribution. The principal operating subsidiaries of the Company to perform international trading are Novo CPL and Novo HK. For international trading, L/C is frequently the agreed method of settlement for both sides. The principal operating subsidiaries of the Company to perform domestic trading and distribution are Novo Steel (HK) and Qianghua (Shanghai) where these operating subsidiaries sell steel products in Hong Kong and the PRC respectively in which payments of sales are received in the local currency of the place where the products are sold.

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The table below sets forth the breakdown of the Group's revenue from international steel trading, domestic trading and distribution, provision of chartering services, and international coal trading during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(Unaudited)									
International steel trading	479,969,874	100.00	523,552,754	99.97	352,260,246	87.40	102,610,247	98.92	98,686,470	84.21
Domestic trading and distribution	-	-	139,599	0.03	35,826,762	8.89	1,124,124	1.08	15,081,616	12.87
Provision of chartering services	-	-	-	-	4,962,864	1.23	-	-	-	-
International coal trading	-	-	-	-	9,973,548	2.48	-	-	3,424,026	2.92
Total:	479,969,874	100.00	523,692,353	100.00	403,023,420	100.00	103,734,371	100.00	117,192,112	100.00

The table below sets forth the breakdown of the Group's revenue by product type during the Track Record Period:

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	US\$	US\$	US\$	US\$	US\$
	(Unaudited)				
Sale of steel products and coal					
Raw materials	88,862,275	113,739,592	239,219,724	81,053,703	71,742,621
Semi-finished products	59,360,898	143,810,577	60,276,455	-	15,160,736
Finished products	331,746,701	255,171,501	97,798,123	22,680,668	29,908,963
Others (Note)	-	10,970,683	766,254	-	379,792
Provision of chartering services	-	-	4,962,864	-	-
Total:	479,969,874	523,692,353	403,023,420	103,734,371	117,192,112

Note: Others include special and coated products.

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The table below sets forth the breakdown of the Group's revenue by product quantity during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	Tonnes (in thousand)	Average selling price per tonne (US\$)	Tonnes (in thousand)	Average selling price per tonne (US\$)	Tonnes (in thousand)	Average selling price per tonne (US\$)	Tonnes (in thousand)	Average selling price per tonne (US\$)	Tonnes (in thousand)	Average selling price per tonne (US\$)
Raw materials										
– iron ore	481.3	184.6	1,456.5	78.1	2,171.5	105.6	902.8	89.8	363.1	188.1
Raw materials										
– coal	-	-	-	-	137.5	72.5	-	-	53.1	64.5
Semi-finished products	91.3	650.2	197.1	729.6	132.8	453.9	-	-	24.9	608.7
Finished products	496.6	668.0	270.5	943.3	180.5	541.8	47.4	478.8	46.1	648.9
Others (Note)	-	-	9.5	1,154.8	1.1	696.6	-	-	0.3	1,275.0
Total:	<u>1,069.2</u>		<u>1,933.6</u>		<u>2,623.4</u>		<u>950.2</u>		<u>487.5</u>	

Note: Others include special and coated products.

The product mix of the Group changed throughout the Track Record Period. During FY2009, due to the strong demand in South East Asia and the PRC for semi-finished products and raw materials, the sales of semi-finished products surged by approximately 142.3% to approximately US\$143.8 million from approximately US\$59.4 million in FY2008 and the sales of raw materials also increased by approximately 28% to approximately US\$113.7 million in FY2009 from approximately US\$88.9 million. In FY2010, the sales of raw materials, particularly iron ore, increased further by approximately 110.3% to approximately US\$239.2 million. In 1QFY2011, the sales of raw materials still dominated, representing approximately 61.2% of the total sales of the Group during the period.

In terms of quantity, the Group's sales of finished products reduced sharply in FY2009 to approximately 270,500 tonnes from approximately 496,600 tonnes in FY2008 and further reduced to approximately 180,500 tonnes in FY2010 mainly due to the demand for such products in the Europe market dropped sharply. For 1QFY2011, the Group's sales of finished products amounted to approximately 46,100 tonnes, which is comparable to that of the same period of FY2010. The Group's sales of semi-finished products fluctuated. For FY2008, the Group's sales of semi-finished products amounted to approximately 91,300 tonnes and that for FY2009 was approximately 197,100 tonnes, representing an increase of approximately 115.9%. However, the Group's sales of semi-finished products dropped to approximately 132,800 tonnes, representing a decrease of approximately 32.6%. For 1QFY2011, the Group's sales of semi-finished products amounted to approximately 24,900 tonnes (nil for the same period of FY2010), representing a decrease of 25% as compared with that of FY2010 on a pro rata basis. The Group's sales of iron ore were on an increasing trend with a total sales of approximately 481,300 tonnes for FY2008, approximately 1,456,500 tonnes for FY2009 and approximately 2,171,500 tonnes for FY2010. For 1QFY2011, the Group's sales of iron ore amounted to approximately 363,100 tonnes, representing a decrease of approximately 60.0% as compared with that of the same period of FY2010 and approximately 33.1% as compared with that of FY2010 on a pro rata basis.

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Readers should note that the Group's revenue depends on both the average selling price and the quantity of shipment. As such, the quantity of shipment may not necessarily have a direct correlation to the Group's revenue. If the Group sells relatively more products (in terms of quantity) with higher average selling price in a year, the Group's revenue for that year would be higher. As shown in the table above, the average selling price of the Group's different products varies from products to products. Prior to the global financial crisis in late 2008, the Group mostly traded semi-finished products and finished products in terms of quantity. The average selling price of the Group's semi-finished products and finished products for FY2009 was approximately 12.2% higher and approximately 41.2% higher than that for FY2008. However, in this regard, readers should note that over 80% of the Group's sales (in terms of monetary value) of semi-finished products and finished products during FY2009 were made in the first half of FY2009. The average selling price of most of the Group's products (other than iron ore) for FY2010 dropped.

Before the global financial crisis in late 2008, the Group mainly traded finished products. With the then steel prices getting higher, the Group achieved relatively high average selling prices and high revenue before the last quarter of 2008 (i.e. in FY2009).

After the breakout of the global financial crisis in late 2008, the Group changed its strategy to trade raw materials, in particular, iron ore, from finished products. The average selling price of raw materials is comparatively lower than that of the semi-finished/finished products. As such, the change in product mix from semi-finished/finished products to raw materials led to a decrease in revenue for FY2010. Moreover, the demand dropped sharply since the last quarter of 2008 and the average selling prices of raw materials plunged. In FY2010, the average selling price of raw materials, in particular, iron ore, was slightly improved due to the recovery from the global financial crisis.

Cost of sales

For FY2008 and FY2009, the Group's cost of sales mainly related to material costs while for FY2010, the Group's cost of sales also included chartered expenses being the costs of the Group's chartering services, which accounted for approximately 1.3% of the Group's cost of sales for that financial year. For 1QFY2011, the Group's cost of sales mainly related to material costs and no chartering expenses were incurred as the Group had not chartered new vessels since April 2010 due to the expiry of the relevant time charter agreement.

During the Track Record Period, the Group purchased on FOB basis, except certain purchase agreements entered with big-sized suppliers. The Group is not responsible for the transportation of the goods from suppliers' warehouses to the ports. Neither is the Group responsible for the loading of the goods from the ports onto the designated vessels. Outward freight charges and expenses incurred for the transportation of goods to customers' warehouses (if any) are classified as distribution and selling expenses and do not form part of cost of sales of the Group.

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Other operating income

Other operating income, which amounted to approximately US\$1.1 million, approximately US\$2.1 million, approximately US\$4.1 million and approximately US\$0.6 million for FY2008, FY2009, FY2010 and 1QFY2011 respectively, mainly comprised management fees and agency fees received from associated companies of the Group, finance income such as bank interest income and one-off compensation received, namely, compensation claims, demurrage charges and interest charges for late payments.

During the Track Record Period, the Group has entered into agency agreements, management agreements and consultancy services agreements, with its associated companies whereby the Group provides services in return for agency fees, management fees and other service fees. From time to time, the Group has provided the services to its associated companies pursuant to the said agreements including arranging and handling shipment of products to customers, promoting sales of steel products and sourcing for materials, sharing of human and administrative resources in Hong Kong and Singapore, provision of financing and banking consultancy services.

The Group received compensation from suppliers with an amount of US\$47,410, US\$622,206, approximately US\$3.0 million and approximately US\$0.5 million for FY2008, FY2009, FY2010 and 1QFY2011 respectively. Circumstances leading to such compensation included default by suppliers, quality claim, weight claim, moisture claim, cancellation of contracts and interest for extension of payment. Basis of calculation of the compensation included a lump sum compensation agreed between the parties, agreed rate of compensation per unit quantity of products for the defaulted quantity, agreed rate of penalty on value of L/C or market price of defaulted quantity of products less the original contract price for cancellation of contracts, interest for extension of payment, a lump sum compensation for quality claims, weight claims, and/or moisture claims.

In FY2010 and 1QFY2011, the Group also received transportation income of US\$109,802 and US\$85,487 respectively in domestic trading and distribution when it provided product delivery services to customers in Hong Kong.

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Gross profit and gross profit margin

The following table sets forth the Group's gross profit and gross profit margin during the Track Record Period:

	FY2008 US\$	FY2009 US\$	FY2010 US\$	1QFY2010 US\$ (Unaudited)	1QFY2011 US\$
Revenue	479,969,874	523,692,353	403,023,420	103,734,371	117,192,112
Gross profit	64,873,420	45,989,960	55,691,219	8,777,471	6,703,663
Gross profit margin	13.5%	8.8%	13.8%	8.5%	5.7%

During the Track Record Period, the Group's gross profit margin was in the range of approximately 5.7% to approximately 13.8%. The Directors attribute the fluctuation in the gross profit margin principally to the sharp plunge in prices of steel products following the global financial crisis since late 2008 and the subsequent bounce back. Shortly after the commencement of the global financial crisis in late 2008, the price of the steel products experienced a sharp plunge. A number of the Group's customers, after the occurrence of the global financial crisis and as a result of the sharp decrease in price, re-negotiated the contract terms with the Group. With a view to maintaining a good relationship with these customers and to sell the products which were purchased by the Group at a high price prior to such sharp plunge of price at the then best available price, the Group reduced its profit margin in certain sale transactions which took place after the global financial crisis in FY2009, thus reducing the overall gross profit margin for FY2009. The Group's gross profit margin in 1QFY2011 was reduced by 2.8 percentage points when compared with that for 1QFY2010. Such decrease was mainly due to the decrease in the gross profit margin of iron ores sold by the Group during the period.

The following table sets forth the gross profit and the gross profit margin by product during the Track Record Period:

	FY2008		FY2009		FY2010		1QFY2010		1QFY2011	
	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)	Gross profit margin (US\$) (%)
Sale of steel products and coal										
Raw materials	18,814,287	21.2	9,851,842	8.7	44,649,537	19.5	7,851,473	9.7	3,025,742	4.4
Semi-finished products	5,667,518	9.5	12,149,407	8.4	1,736,337	2.9	-	-	444,739	2.9
Finished products	40,391,615	12.2	22,850,007	9.0	6,117,051	6.3	925,998	4.1	1,800,724	6.0
Special and coated products	-	N/A	1,138,704	10.4	4,320	0.6	-	-	31,278	8.2
Coal	-	N/A	-	N/A	2,698,210	27.1	-	-	1,401,180	41.0
	64,873,420	13.5	45,989,960	8.8	55,205,455	13.9	8,777,471	8.5	6,703,663	5.7
Provision of chartering services	-	N/A	-	N/A	485,764	9.8	-	-	-	-
Total:	64,873,420	13.5	45,989,960	8.8	55,691,219	13.8	8,777,471	8.5	6,703,663	5.7

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As shown above, the gross profit margin for raw materials slumped in FY2009, which was mainly due to the sharp drop of raw material prices during the second half of 2008 following the global financial crisis in late 2008, and recovered in FY2010 with the price recovery. The gross profit margin of semi-finished products dropped significantly in FY2010 due to the fact that the semi-finished products market had yet to recover from the global financial crisis since late 2008.

The following table sets forth the gross profit margin of (i) international trading; and (ii) domestic trading and distribution during the Track Record Period:

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	(%)	(%)	(%)	(%)	(%)
				(Unaudited)	
International trading	13.5	8.8	14.4	8.4	5.4
Domestic trading and distribution	N/A	3.7	7.9	10.0	8.2

The gross profit margin of the Group's international trading for FY2008 was approximately 13.5% and reduced to approximately 8.8% for FY2009 due to the sharp plunge in the prices of the steel products after the commencement of the global financial crisis in late 2008 (the effect of such sharp plunge was particularly discussed above), representing a decrease of 4.7 percentage points. The gross profit margin of the Group's international trading for FY2010 was approximately 14.4%, which was at a level slightly higher than that for FY2008 and represented an increase of 5.6 percentage points as compared to that for FY2009.

The Group started its domestic trading and distribution in late FY2009 and its gross profit margin for domestic trading and distribution for FY2009 and FY2010 was approximately 3.7% and approximately 7.9% respectively. In general, the Group's domestic trading and distribution is more profitable than its international trading as the Group provides more value-added services to its customers in its domestic trading and distribution and the Directors expect such trend will continue in the near future. Such value-added services include warehousing and just-in-time delivery by keeping inventories. However, the Group recorded a lower gross profit margin of approximately 3.7% for domestic trading and distribution in FY2009 (approximately 8.8% for international trading) which was mainly due to the fact that the Group's domestic trading and distribution was at a start-up stage in FY2009 and was trying to penetrate the market by selling at competitive prices to new customers. In FY2010, the Group achieved relatively low purchase cost in its international trading and hence recorded a relatively high gross profit margin of approximately 14.4% for international trading (approximately 7.9% for domestic trading and distribution) for the whole financial year despite that it also had a relatively high gross profit margin of its domestic trading and distribution for 1QFY2010.

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Distribution and selling expenses

The distribution and selling expenses were the major expenditure items of the Group during the Track Record Period and mainly comprise outward freight charges and distribution agency fees and miscellaneous expenses such as inspection fees, insurance premiums, port handling charges and ship handling charges. For each of the three years ended 30 April 2010 and 1QFY2011, the Group recorded distribution and selling expenses of approximately US\$45.9 million, approximately US\$37.0 million, approximately US\$39.6 million and approximately US\$4.2 million, representing approximately 9.6%, approximately 7.1%, approximately 9.8% and approximately 3.6% of the Group's revenue respectively. The decrease in the distribution and selling expenses during FY2009 was mainly due to the reduction in freight charges as a result of the global financial crisis in late 2008.

The major components of the Group's distribution and selling expenses during the Track Record Period were as follows:

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Freight charges	35,758,298	25,601,611	28,894,410	423,309	2,492,560
Distribution agency fees	6,354,701	9,431,577	6,104,407	2,717,620	412,251
Port handling charges	2,756,950	356,489	2,026,755	87,224	31,137

For each of FY2008, FY2009, FY2010 and 1QFY2011, freight charges accounted for approximately 77.9%, approximately 69.1%, approximately 73.0% and approximately 59.6% of the Group's distribution and selling expenses for the respective financial year and period. The unit freight charge was generally high in FY2008, dropped substantially after the global financial crisis in late 2008, and then rose gradually during FY2010. As disclosed above, the product mix of the Group changed after the global financial crisis (from principally comprising finished products and semi-finished products to principally comprising raw materials) and such change resulted in a reduced unit freight charge in FY2010.

For each of FY2008, FY2009, FY2010 and 1QFY2011, distribution agency fees accounted for approximately 13.8%, approximately 25.5%, approximately 15.4% and approximately 9.9% of the Group's distribution and selling expenses for the respective financial year and period. The Group's distribution agency fees for FY2009 amounted to approximately US\$9.4 million, representing an increase of approximately 48.4% from approximately US\$6.4 million for FY2008 and reduced to approximately US\$6.1 million for FY2010, representing a decrease of approximately 35.3% as compared to that of FY2009.

For each of FY2008, FY2009, FY2010 and 1QFY2011, port handling charges accounted for approximately 6.0%, approximately 1.0%, approximately 5.1% and approximately 0.7% of the Group's distribution and selling expenses for the respective financial year and period. The Group's port handling charges for FY2009 amounted to approximately US\$0.4 million, representing a decrease of approximately 87.1% from approximately US\$2.8 million for FY2008, and then increased to approximately US\$2.0 million for FY2010, representing an increase of approximately 468.5% as compared to that of FY2009.

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Administrative expenses

The administrative expenses of the Group for each of FY2008, FY2009, FY2010 and 1QFY2011 amounted to approximately US\$2.6 million, approximately US\$4.0 million, approximately US\$5.6 million and approximately US\$1.2 million respectively.

The major components of the Group's administrative expenses during the Track Record Period were salaries and related costs, directors' remuneration and professional and consultancy fees. For each of FY2008, FY2009, FY2010 and 1QFY2011, salaries and related costs accounted for approximately 67.6%, approximately 59.4%, approximately 58.7% and approximately 57.1% of the Group's administrative expenses for the respective financial year and period. For each of FY2008, FY2009, FY2010 and 1QFY2011, directors' remuneration accounted for approximately 6.7%, approximately 16.1%, approximately 24.6% and approximately 11.7% of the Group's administrative expenses for the respective financial year and period. The increase in the directors' remuneration was due to the fact that the salaries of the then two executive Directors increased after the Reverse Acquisition in 2008 during FY2009. For each of FY2008, FY2009, FY2010 and 1QFY2011, professional and consultancy fees accounted for approximately 8.0%, approximately 17.3%, approximately 22.2% and approximately 13.6% of the Group's administrative expenses for the respective financial year and period.

Finance costs

The Group's finance costs during the Track Record Period consisted of bank charges and interest on bank loans and amounted to approximately US\$2.7 million, approximately US\$2.9 million, approximately US\$1.1 million and approximately US\$0.3 million respectively for each of the three years ended 30 April 2010 and 1QFY2011.

Income tax

The Group's income tax expenses during the Track Record Period included the Group's Hong Kong profits tax liability and overseas tax liability, which included the PRC, Singapore and India. For each of the three years ended 30 April 2010 and 1QFY2011, the Group's income tax amounted to approximately US\$1.4 million, approximately US\$94,000, approximately US\$1.7 million and approximately US\$0.2 million respectively, and the effective tax rate of the Group was approximately 11%, approximately 6%, approximately 12% and approximately 11% respectively.

The jurisdiction of current tax for overseas is mainly Singapore for FY2008, Singapore and India for FY2009, and Singapore, India and the PRC for FY2010 and the PRC for 1QFY2011.

Pursuant to the Income Tax Act of Singapore, members of the Group which are incorporated in Singapore are subject to statutory income tax rate of 18%, 17%, 17% and 17% for FY2008, FY2009, FY2010 and 1QFY2011 respectively.

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For FY2008 and FY2009, turnover generated by Novo CPL was deemed qualifying trade, except for interest income and administrative fee received in FY2009. Besides, Novo CPL employed 3 trading professionals in Singapore. As such, it enjoyed tax concessionary rate of 10%. For FY2010, Novo CPL did not record any turnover and did not have assessable profits. Even it employed trading professionals in Singapore, it might not enjoy tax concessionary rate for the year.

According to tax laws in Singapore, the GTP status is not subject to annual review but a final assessment by the end of the 5-year concessionary period. The list of qualifying commodities under the GTP will be reviewed periodically. At the end of the 5-year concessionary period, Novo CPL may apply for renewal of the GTP status. Nevertheless, the GTP status of Novo CPL had never been terminated or suspended during the Track Record Period.

Under the Inland Revenue Ordinance of Hong Kong, assessable profits of members of the Group arising in or derived from Hong Kong are subject to statutory income tax rate of 16.5% for the Track Record Period.

Members of the Group incorporated or re-registered under the Business Companies Act 2004 (as amended) of the BVI and incorporated under the DMCC Company Regulations of UAE are exempted from payment of income taxes.

For FY2008, the major profit contributing subsidiaries of the Group included Novo HK, Novo CPL and Novosteel DMCC with profit before tax of approximately US\$7.4 million, US\$2.4 million and US\$5.2 million respectively whereas the corporate income tax rate in respective jurisdictions of these subsidiaries was 16.5%, 18% and 0% respectively. As Novo CPL was awarded GTP status, Novo CPL enjoyed a concessionary corporate income tax rate of 10% instead of 18%. As a consequence, the aggregate income tax of approximately US\$1.4 million for the Group for FY2008 mainly represented the income tax charge of Novo HK of approximately US\$1.2 million and the income tax charge of Novo CPL of approximately US\$0.2 million.

As a result of the global financial crisis in late 2008, majority of the operating subsidiaries of the Company suffered from a drop in profit and some recorded significant operating losses in FY2009. For FY2009, the major profit contributing subsidiaries of the Group included Novo HK, Novo Overseas and Novosteel DMCC with profit before tax of approximately US\$0.7 million, approximately US\$2.7 million and approximately US\$2.7 million respectively. The Group's other subsidiaries, Novo CPL and Global Wealth Trading Ltd., suffered an operating loss before tax of approximately US\$1 million and approximately US\$0.7 million respectively in FY2009.

The profit before tax of Novo Overseas, the holding company of Novosteel DMCC, for FY2009 was mainly derived from the dividend income of approximately US\$2.7 million from Novosteel DMCC which was tax-exempt as foreign-sourced income received outside Singapore. The Company, the holding company of the Group, also had a profit before tax of

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approximately US\$3 million which mainly represented tax-exempt dividend income. As a result, the overall net profit before tax of the Group amounted to approximately US\$1.7 million taken into account the results of the above major profitable subsidiaries and loss-making subsidiaries, resulting in a low effective tax rate of approximately 6% for FY2009.

For FY2010, the major profit contributing subsidiaries of the Group included Novo HK and Novosteel DMCC with profit before tax of approximately US\$9.6 million and US\$4.3 million respectively whereas the corporate income tax rate in respective jurisdictions of these subsidiaries was 16.5% and 0% respectively. As a result, the overall net profit before tax of the Group was approximately US\$13.7 million, resulting in a high effective tax rate of approximately 12% for FY2010.

The Directors confirm that the Group had made all the required statutory tax filings under the relevant tax laws and regulations in the respective jurisdictions of its operating subsidiaries, and had paid all outstanding tax liabilities on time at the Latest Practicable Date, and as at the Latest Practicable Date, the Group was not subject to any dispute or potential dispute with the respective tax authorities.

Novo CPL was awarded the GTP status in Singapore for a period of 5 years from 1 May 2007. IE Singapore is the regulatory authority that approves the award of the GTP status to companies which are well-established international players in their industries and responsible for international trading, procurement, distribution and transportation of qualifying commodities and products.

The grant of the status of GTP is subject to Section 43P of the Income Tax Act (Chapter 134) which provides that the Minister of Trade and Industry (the “Minister”) may by regulations provide the applicable concessionary tax to be levied and paid for each year of assessment upon such income as the Minister may specify of an approved global trading company derived by it from such qualifying transactions in commodities or commodities futures as may be prescribed. By virtue of the GTP, all income derived from qualifying trade as defined in the award is subject to concessionary income tax rate of 10%, subject to the fulfillment of conditions. The applicants for GTP status must:

- (a) conduct substantial physical offshore trading turnover on a principal basis;
- (b) incur a significant amount of directly attributable local business spending in Singapore; and
- (c) employ a commensurate number of experienced trading professional traders in Singapore.

The assessment is also based on other ancillary factors such as:

- (a) the company’s significant use of Singapore’s banking and financial services;
- (b) the company’s significant use of Singapore’s ancillary services, such as trade and logistics services, and trade institutes and trade arbitration services;

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- (c) the company's contribution to manpower training and development of trading expertise in Singapore; and
- (d) the company's overall business plan and contribution to the Singapore's economy.

The qualifying trade under the GTP includes qualifying commodities, qualifying transactions and qualifying income. "Qualifying commodities" include steel products and iron ore. "Qualifying transactions" are transactions where (i) GTP company buys and sells qualifying commodities with offshore parties; (ii) GTP company transacts with another GTP company in qualifying commodities; and (iii) GTP company physically handles and adds value to qualifying commodities in Singapore before sales offshore or to another GTP company. Under such programme, "qualifying income" refers to (i) profits from trading in qualifying commodities, but excluding the local value-added elements; (ii) commissions from broking in qualifying commodities; (iii) profits from trading on qualifying commodity future exchanges; and (iv) profits from trading in over-the-counter swaps and derivative products.

Expenses not deductible for tax purposes

The expenses not deductible for tax purposes for FY2008 represented legal and professional fees for transfer of shares which are capital in nature. For FY2009, it mainly represented (a) professional fees paid to Focus Capital Investment Inc.; (b) legal and professional fees paid for the issuance of announcements, handling buy back of shares, preparing documents for shareholders circulars on share option scheme; and (c) stamp duty on share transfer which is non-deductible or capital by nature. For FY2010, it mainly represented operating expenses for those subsidiaries that have not yet commenced business or did not have business.

Income not subject to tax

The income not subject to tax for FY2008, FY2009, FY2010 and 1QFY2011 mainly represented offshore interest income, interest income arisen from bank accounts which were not used to secure or guarantee any banking facilities, and net exchange gains arising from inter-bank transfer and translating monetary items into presentation currency at closing balance sheet date rate.

Profit for the year and net profit margin

The Group's net profit attributable to equity holders of the Company for FY2008, FY2009, FY2010 and 1QFY2011 was approximately US\$11.6 million, approximately US\$1.6 million, approximately US\$11.8 million and approximately US\$1.5 million respectively, representing a net profit margin of approximately 2.4%, approximately 0.3%, approximately 3.0% and approximately 1.3% respectively. The sharp decrease in net profit and net profit margin for FY2009 was principally due to the decrease in gross profit in that year. The fluctuation of the Group's net profit margin during the FY2008, FY2009, FY2010 and 1QFY2011 was in line with that of the Group's gross profit margin during the relevant period.

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Review of the historical operating results of the Group

1QFY2011 compared to 1QFY2010

Revenue

The Group's revenue increased by approximately 13.0% from 1QFY2010 of approximately US\$103.7 million to approximately US\$117.2 million for 1QFY2011. The increase in the Group's revenue during the period was mainly attributable to the increase in prices of iron ores and steel products, the increase in sales of semi-finished products in South East Asia and the increase in domestic trading and distribution, which partially offset the negative effect of the decrease in sales quantity of the Group mainly due to the slow down in the economic growth in the PRC as a result of the measures on the property sector adopted by the PRC government in 1QFY2011 in order to cool down the property market.

Cost of sales

The Group's cost of sales for 1QFY2011 increased in line with the Group's revenue for that period. For each of 1QFY2010 and 1QFY2011, the Group's cost of sales was only related to material costs.

Gross profit and gross profit margin

The Group's gross profit for 1QFY2011 amounted to approximately US\$6.7 million, representing a gross profit margin of approximately 5.7% while the Group's gross profit for 1QFY2010 amounted to approximately US\$8.8 million, representing a gross profit margin of approximately 8.5%. The decrease in the Group's gross profit margin in 1QFY2011 was mainly due to the decrease in the gross profit margin of the iron ores sold by the Group during the period, the sales of which represented approximately 74.5% (in terms of tonnes) and approximately 58.3% (in terms of value) of the total sales of the Group in 1QFY2011. The decrease in gross profit margin of iron ores sold by the Group was due to the combined effects of the increase in iron ore purchase price and the decrease in demand for iron ore in the PRC market which has caused the selling prices of iron ores sold by the Group to the PRC market not keeping up with the increase in purchase prices of the Group. The Directors attributed the decrease in demand for iron ore in the PRC market in 1QFY2011 as compared to 1QFY2010 to the slow down in the economic growth in the PRC as a result of the measures adopted by the PRC government in 1QFY2011.

Other operating income

The Group's other operating income increased by approximately 189.9% from 1QFY2010 of US\$215,065 to US\$623,536 for 1QFY2011. The increase in the Group's other operating income during the period was mainly attributable to the award of compensation from a customer of US\$509,407 during 1QFY2011, which was partly offset by the decrease in sundry income of US\$133,954. The abovementioned compensation arose from the two arbitration

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cases with the counter party being the same customer of the Group and the Group was the respondent in one case and the claimant in the other, details of which are set forth in the paragraphs headed “The Group faces risk of default by its suppliers and/or customers” in the section headed “Financial information” of this document. The said amount of US\$509,407 was the net amount after offsetting the award of approximately US\$727,000 granted in favour of the Group against the award of approximately US\$225,000 granted against the Group. As advised by the Company’s legal advisers as to PRC laws, the Group would be entitled to offset the abovementioned amounts upon the PRC court’s granting of an order for enforcement due to fact that the parties in the two arbitration cases were the same.

For 1QFY2011, the Group entered into 12 contracts (each contract comprising various transactions, the quantity of which ranged from 5 tonnes to 900 tonnes per transaction and the unit price of which ranged from approximately RMB4,100 per tonne to approximately RMB4,600 per tonne) in respect of hot rolled coils. The duration of these derivatives financial instruments ranged from 2 to 4 months.

The Group has an internal control policy in trading the derivative financial instruments which was effective since 1 June 2009 as follows:

1. the opening of futures contracts trading account is subject to approval of the board of directors of Qianghua (Shanghai);
2. the general manager of Qianghua (Shanghai), Mr. Ji Naxin, was appointed as the personnel-in-charge and a trader of Qianghua (Shanghai) was designated as the operation staff responsible for trading of derivative financial instruments;
3. the operation capital in the futures contracts trading accounts in aggregate should not exceed approximately RMB5.3 million, being 20% of the sum of Qianghua (Shanghai)’s registered capital of RMB20 million and an overseas guaranteed bank loan of RMB6.7 million;
4. Qianghua (Shanghai) opened two future contracts trading accounts, each allocated with part of the abovementioned operation capital;
5. the operation staff is authorised to trade at his/her own discretion as long as the difference (the “Price Difference”) between the market price and the contracted price does not exceed 5% in that transaction;
6. in case the abovementioned Price Difference exceeds 5% but below 10% in that transaction, any trading decision shall be subject to prior approval of the personnel-in-charge; and
7. in case the abovementioned Price Difference exceeds 10%, any trading decision shall be subject to approval by two directors of Qianghua (Shanghai) other than the personnel-in-charge.

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As at the Latest Practicable Date, the Group did not have any outstanding derivative financial instruments and the Directors confirm that they do not intend to enter into any derivative financial instruments in the foreseeable future. The Directors also confirm that the Group has not entered and will not enter into any speculative trading activities.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately 23.3% from approximately US\$3.4 million for 1QFY2010 to approximately US\$4.2 million for 1QFY2011. Such increase was mainly due to the increase in freight charges as a result of the increase in the Group's sales with shipping terms and the relatively high unit freight charge in 1QFY2011 as compared to that of 1QFY2010 and the increase in shipping handling charges mainly for uploading iron ores during the period, which collectively offset the effect of the decrease in distribution agency fees in 1QFY2011 mainly due to the decrease in quantities of products distributed with the assistance of the agents during the period.

Administrative expenses

The Group's administrative expenses increased by approximately 19.7% from approximately US\$1.0 million for 1QFY2010 to approximately US\$1.2 million for 1QFY2011. Such increase was mainly due to the additional overhead costs of domestic trading and distribution in Hong Kong and the increase in depreciation.

Finance costs

The finance costs of the Group for 1QFY2011 substantially dropped by approximately 40.3% from US\$433,366 for 1QFY2010 to US\$258,781 for 1QFY2011. Both of the bank charges and the interests on bank loans recorded by the Group for 1QFY2011 reduced as compared to those for 1QFY2010.

Profit before income tax

The Group's profit before income tax decreased from approximately US\$4.2 million for 1QFY2010 to approximately US\$1.8 million for 1QFY2011, representing a decrease in 58.1%. Such decrease was mainly attributable to the decrease in gross profit as elaborated above.

Income tax

The Group's income tax for 1QFY2011 was US\$188,966 while that for 1QFY2010 was US\$278,101, representing a decrease of approximately 32.1%. Such decrease was in line with the decrease in the Group's profit before income tax for 1QFY2011. The Group's income tax during 1QFY2011 included both Hong Kong profits tax (which were charged at 16.5%) and overseas tax while the Group's income tax during 1QFY2010 represented Hong Kong profits tax. The effective tax rate of the Group for 1QFY2011 is approximately 11.0%.

Profit for the period attributable to equity holders and net profit margin

The profit attributable to the equity holders of the Company decreased by approximately 61.8% from approximately US\$3.9 million for 1QFY2010 to approximately US\$1.5 million for

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1QFY2011, as a result of the factors described above. The Group's net profit margin for 1QFY2010 and 1QFY2011 is approximately 3.8% and approximately 1.3% respectively. The decrease in net profit margin in 1QFY2011 as compared to 1QFY2010 was in line with that of the Group's gross profit margin for 1QFY2010 and 1QFY2011.

FY2010 compared to FY2009

Revenue

The Group's revenue decreased by approximately 23.0% from approximately US\$523.7 million for FY2009 to approximately US\$403.0 million for FY2010. The decrease in the Group's revenue during the year was mainly attributable to plunge of price after the global financial crisis, European sovereign debt problem and the change in product mix.

While the Group's sales of raw materials for FY2010 increased for more than 100% of that for FY2009 to approximately US\$239.2 million, the Group's sales of other products (including semi-finished products (the sales of which decreased from approximately US\$143.8 million in FY2009 to approximately US\$60.3 million in FY2010), finished products (the sales of which decreased from approximately US\$255.2 million in FY2009 to approximately US\$97.8 million in FY2010) and other products (the sales of which decreased from approximately US\$11.0 million in FY2009 to approximately US\$5.7 million in FY2010)) reduced substantially during the year.

The North Asia market remained as the Group's principal market in FY2010, the sales to which amounted to approximately US\$286.4 million and accounted for approximately 71.1% of the Group's revenue for FY2010. The Group's sales to North Asia for FY2010 increased by approximately 77.0% as compared to that for FY2009. The strong growth in this market was offset by the substantial reduction in sales to South East Asia and other regions. In FY2010, the Group did not record any sales to India and Middle East in FY2010, which was one of the principal markets of the Group for FY2008 and FY2009.

In terms of quantity, finished products accounted for approximately 46.4%, approximately 14.0% and approximately 6.9% of the Group's sales quantity for each of the three years ended 30 April 2010 respectively. The Group's sales (in terms of quantity) of finished products reduced sharply in FY2009 to approximately 270,500 tonnes from approximately 496,600 tonnes in FY2008 mainly due to the demand for such products in the Europe market dropped sharply in the year. It further reduced to approximately 180,500 tonnes in FY2010. The semi-finished products also dropped to approximately 132,800 tonnes in FY2010 from approximately 197,100 tonnes in FY2009 due to lower demand after the global financial crisis in late 2008. However, with the increasing demand of raw materials in North Asia market, the tonnage of raw materials sold by the Group increased from approximately 481,300 tonnes in FY2008 to approximately 1,456,500 tonnes in FY2009, and further to approximately 2,309,000 tonnes in FY2010.

Cost of sales

The Group's cost of sales for FY2010 decreased in line with the decrease in the Group's revenue for that year. For FY2010, the Group's cost of sales included – material costs and chartered expenses.

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Gross profit and gross profit margin

The Group's gross profit for FY2010 amounted to approximately US\$55.7 million, representing a gross profit margin of approximately 13.8% and an increase of approximately 21.1% as compared to that for FY2009. The Board attributes such increase to the change in product mix from semi-finished and finished products to raw materials, the latter of which had higher profit margins, and the bounce back of steel prices during FY2010.

Other operating income

The Group's other operating income increased by approximately 95.5% from approximately US\$2.1 million for FY2009 to approximately US\$4.1 million for FY2010. The increase in the Group's other operating income during the year was mainly attributable to various compensations in the total amount of approximately US\$3.0 million received from suppliers.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately 6.9% from approximately US\$37.0 million for FY2009 to approximately US\$39.6 million for FY2010. Such increase was mainly due to the increase in freight charges and port handling charged as a result of the increase in tonnage sold and shipped by the Group.

Administrative expenses

The Group's administrative expenses increased by approximately 40.4% from approximately US\$4.0 million for FY2009 to approximately US\$5.6 million for FY2010. Such increase was mainly due to the additional overhead costs and expenses relating to the expansion of the Group's marketing network, such as the increase in staff costs, and professional and consultancy fees.

Other operating expenses

The other operating expenses recorded by the Group in FY2010 mainly represented net foreign exchange gains of approximately US\$384,700 as compared to net foreign exchange losses of approximately US\$1,911,500 recorded in FY2009.

The net foreign exchange losses recorded in FY2009 was resulted from the weakening of Euro dollars against US dollars held in cash and trade receivables by the Group while the net foreign exchange gains recorded in FY2010 was arisen from the strengthening of the Singapore dollars against US dollars held in cash by the Group.

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The Group started to use derivative financial instruments provided by steel electronic trading platforms in the PRC in FY2010 for the purpose of (i) hedging the inventories on hand and the goods ordered from suppliers but in transit in view of the volatility of steel price; and (ii) purchasing steel products at comparatively low prices to make up the deficiency of supply from regular and indent suppliers for maintaining its inventory level for its PRC domestic trading and distribution. Accordingly, the Group recorded no gain/loss from derivative financial instruments before FY2010.

The Group recorded a fair value loss on derivative financial instruments, which are futures on hot rolled coils contracts, of US\$24,176 for FY2010. The fair value loss was derived from the market prices of such instruments held by the Group less the purchasing costs of such instruments.

The Group recorded a net realised loss on disposal of futures on hot rolled coils contracts of US\$84,347 for FY2010. The net realised loss was derived from the disposal prices less the purchasing costs of such instruments.

For FY2010, the Group entered into 31 contracts (each contract comprising various transactions, the quantity of which ranged from 5 tonnes to 500 tonnes per transaction and the unit price of which ranged from approximately RMB3,300 per tonne to approximately RMB4,700 per tonne) in respect of hot rolled coils. The duration of these derivative financial instruments ranged from 1 to 4 months.

Finance costs

The finance costs of the Group for FY2010 substantially dropped by approximately 62.6% from approximately US\$2.9 million for FY2009 to approximately US\$1.1 million for FY2010. Both of the bank charges and the interest on bank loans recorded by the Group for FY2010 reduced as compared to those for FY2009.

Profit before income tax

The Group's profit before income tax increased sharply from approximately US\$1.7 million for FY2009 to approximately US\$13.7 million for FY2010, representing an increase of approximately 725.5%. Such increase was attributable to the factors described above.

Income tax

The Group's income tax for FY2010 of approximately US\$1.7 million represented approximately 18 times of that for FY2009 of US\$93,813. Such increase was in line with the increase in the Group's profit before income tax for FY2010.

The Group's income tax during both FY2009 and FY2010 included both Hong Kong profits tax (which were charged at 16.5%) and overseas tax.

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Profit for the year attributable to equity holders and net profit margin

The profit attributable to equity holders of the Company increased by approximately 642.2% from approximately US\$1.6 million for FY2009 to approximately US\$11.8 million for FY2010, as a result of the factors described above. The Group's net profit margin for FY2009 and FY2010 is approximately 0.3% and approximately 3.0% respectively. The increase in net profit margin in FY2010 as compared to FY2009 was in line with that of the Group's gross profit margin for FY2009 and FY2010.

FY2009 compared to FY2008

Revenue

The Group's revenue increased by approximately 9.1% from approximately US\$480.0 million for FY2008 to approximately US\$523.7 million for FY2009. The increase in the Group's revenue during the year was mainly attributable to the increase in revenue from the semi-finished product segment of approximately US\$84.4 million and the raw materials and other products segments by approximately US\$35.8 million as a result of strong demand of such products in North Asia and South East Asia. Such increase was off-set by the decrease in revenue from the finished products segment by approximately US\$76.6 million.

Geographically, the Group's sales to North Asia and South East Asia in FY2009 each has a double-digit growth (an increase of approximately 16.6% in the North Asia market to approximately US\$161.9 million and an increase of approximately 16.4% in the South East Asia market to approximately US\$183.2 million) as compared to sales to the respective regions in FY2008. However, in FY2009, there was a slight decrease in sales to India and Middle East (a decrease of approximately 1.8% to approximately US\$80.2 million) and other regions (a decrease of approximately 3.5% to approximately US\$98.4 million). The Directors attributed the growth in the sales to North Asia principally to the Group's sales of raw materials to the PRC market since late 2008.

Before the global financial crisis in late 2008, due to the strong demand in South East Asia and the PRC for semi-finished products and raw materials, the sales of semi-finished products surged approximately 142.3% to approximately US\$143.8 million in FY2009 from approximately US\$59.4 million in FY2008. In addition, the sales of raw materials also increased from approximately US\$88.9 million in FY2008 to approximately US\$113.7 million in FY2009. Semi-finished products and raw materials accounted for approximately 27.5% and 21.7% of the Group's revenue for FY2009.

In terms of quantity, demand for raw materials became strong in FY2009 and the raw materials traded by the Group for FY2009 amounted to approximately 1.5 million tonnes as compared to approximately 0.5 million tonnes in FY2008, representing approximately 75.3% of the Group's total shipment for FY2009. Most of the raw materials shipped during FY2009 were sold to North Asia. The Group's sales (in terms of quantity) of finished products reduced sharply in FY2009 to approximately 0.3 million tonnes from approximately 0.5 million tonnes in FY2008 mainly due to the reduced demand for such products in the Europe market.

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Cost of sales

The Group's cost of sales for FY2009 increased in line with the Group's revenue for that year. During the two years ended 30 April 2009, the Group's cost of sales was only related to material costs.

Gross profit and gross profit margin

The Group's gross profit for FY2009 amounted to approximately US\$46.0 million, representing a gross profit margin of approximately 8.8%, while the Group's gross profit for FY2008 amounted to approximately US\$64.9 million, representing a gross profit margin of approximately 13.5%. The Group's gross profit for FY2009 decreased by approximately 29.1%, which was principally caused by the sharp drop in steel prices during the second half of 2008 following the global financial crisis since late 2008. The steel product price dropped significantly after mid 2008 and reached the lowest point in late 2008. For example, in June 2008, the price of cold rolled coils and hot rolled coils in Shanghai reached RMB7,250 and RMB5,980 per tonne respectively. The price of cold rolled coils and hot rolled coils in Shanghai dropped to RMB3,925 and RMB2,925 per tonne respectively in November 2008.

Other operating income

The Group's other operating income increased by approximately 84.5% from approximately US\$1.1 million for FY2008 to approximately US\$2.1 million for FY2009. Such increase was mainly attributable to the increase in management fee received from associated companies and a one-off compensation of approximately US\$0.6 million received from suppliers.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately 19.3% from approximately US\$45.9 million for FY2008 to US\$37.0 million for FY2009. Such decrease was mainly due to the substantial decrease in freight charges as a result of the global financial crisis since late 2008.

Administrative expenses

The Group's administrative expenses increased by approximately 55.1% from approximately US\$2.6 million for FY2008 to US\$4.0 million for FY2009. Such increase was mainly due to the additional overhead costs of the new offices and expenses relating to the expansion of the Group's marketing network.

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Goodwill arising from the Reverse Acquisition

The Group recorded a one-off goodwill of approximately US\$1.9 million arising from the Reverse Acquisition in FY2008 as a result of the Company's acquisition of the business of the Group from the existing Controlling Shareholders, which was completed in March 2008. The cost of the business combination was allocated against identifiable assets and liabilities of the Company with the excess accounted for as goodwill. Such goodwill was written off as the Company did not have any operating business or revenue stream during the period.

Other operating expenses

The other operating expenses recorded by the Group in FY2009 represented the net foreign exchange losses during FY2009 due to the weakening of Euro dollars against US dollars held in cash and trade receivables by the Group. During FY2008, the Group recorded net foreign exchange gains as a result of the strong performance of the Euro against US dollars in the last quarter of FY2008 which was included in the Group's other operating expenses for that year.

Finance costs

The finance costs of the Group remained quite steady during FY2008 and FY2009 and amounted to approximately US\$2.7 million and approximately US\$2.9 million respectively. The slight increase in the finance costs was due to the increase in interest on bank loans.

Profit before income tax

The Group's profit before income tax decreased substantially from approximately US\$13.0 million for FY2008 to approximately US\$1.7 million for FY2009, representing a decrease of approximately 87.3%. Such decrease was attributable to the decrease in gross profit, the increase in distribution and selling expenses and administrative expenses and the net foreign exchange losses.

Income tax

The Group's income tax decreased by approximately 93.4% from approximately US\$1.4 million for FY2008 to approximately US\$0.1 million for FY2009. Such decrease was in line with the decrease in the Group's profit before income tax for FY2009.

The Group's income tax during both FY2008 and FY2009 included both Hong Kong profits tax (which were charged at 16.5%) and overseas tax.

Profit for the year attributable to equity holders and net profit margin

The profit attributable to the equity holders of the Company decreased by approximately 86.3% from approximately US\$11.6 million for FY2008 to approximately US\$1.6 million for FY2009, as a result of the factors described above. The Group's net profit margin for FY2008 and FY2009 is approximately 2.4% and approximately 0.3% respectively. The sharp decrease in net profit margin for FY2009 was principally due to the decrease in gross profit in that year.

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of internal resources and bank borrowings. It is the intention of the Directors to continue to fund the Group's operations in such manner in the future in view of the capital-intensive nature of the Group's business.

As discussed above, the Group's business operation is capital intensive in nature, the Group is required to maintain sufficient cash reserves to enable it to continuously utilise its banking facilities to generate revenue. As at 30 September 2010, being the latest practicable date for the purpose of this statement, the Group had cash and cash equivalents comprising cash and bank balances of approximately US\$22.6 million.

Net current assets

Details of the Group's current assets and current liabilities as of respective dates of the consolidated balance sheets are extracted as follows:

	2008	At 30 April 2009	2010	At 31 July 2010	At 30 September 2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
					(Unaudited)
Current assets					
Inventories	–	–	26,527,884	25,271,504	19,076,652
Trade and other receivables	48,115,755	37,310,932	24,679,502	35,201,905	37,465,301
Tax recoverable	–	200,134	–	–	–
Cash and bank balances	<u>30,216,493</u>	<u>20,960,351</u>	<u>32,012,461</u>	<u>24,399,815</u>	<u>22,583,551</u>
	<u>78,332,248</u>	<u>58,471,417</u>	<u>83,219,847</u>	<u>84,873,224</u>	<u>79,125,504</u>
Current liabilities					
Trade and other payables	32,843,114	19,551,190	14,523,305	9,311,591	7,299,926
Borrowings	4,331,436	–	11,304,614	16,396,111	15,203,142
Deferred income	–	–	3,686	3,713	3,761
Tax payable	<u>2,765,634</u>	<u>71,247</u>	<u>1,421,901</u>	<u>1,609,266</u>	<u>1,611,865</u>
	<u>39,940,184</u>	<u>19,622,437</u>	<u>27,253,506</u>	<u>27,320,681</u>	<u>24,118,694</u>
Net current assets	<u><u>38,392,064</u></u>	<u><u>38,848,980</u></u>	<u><u>55,966,341</u></u>	<u><u>57,552,543</u></u>	<u><u>55,006,810</u></u>

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The net current assets remained steady as at 30 April 2008 and 30 April 2009 with an amount of approximately US\$38.4 million and approximately US\$38.8 million respectively, which was mainly due to the combined effects of the decrease in trade and other receivables and cash and bank balances and the decrease in trade and other payables arising from the economic downturn after the global financial crisis in late 2008.

As at 30 April 2010, the net current assets of the Group increased from approximately US\$38.8 million as at 30 April 2009 to approximately US\$56.0 million, mainly due to the increase in inventories of approximately US\$26.5 million as at 30 April 2010, which offset the effect of the increase in borrowings of approximately US\$11.3 million as at 30 April 2010.

The net current assets remained steady as at 30 April 2010, as at 31 July 2010 and 30 September 2010.

Included in the trade and other receivables is certain non-trade balances due from associated companies and a minority shareholder of the Group and are summarised as follows.

	<i>Note</i>	At 30 April		At 31 July	
		2008	2009	2010	2010
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Associated companies					
– Novostal Pte. Ltd.	<i>(a)</i>	–	–	1,412,301	1,412,302
– Rico Group Ltd	<i>(b)</i>	601,201	605,210	606,158	606,158
– Iron And Steel Resources Limited	<i>(c)</i>	67,622	82,469	–	–
– Novostal Limited	<i>(d)</i>	46,253	–	–	–
		<u>715,076</u>	<u>687,679</u>	<u>2,018,459</u>	<u>2,018,460</u>
Minority shareholder					
– Shanghai CRQ	<i>(e)</i>	–	–	<u>1,156,044</u>	<u>1,622,360</u>

The occurrence of these balances arose from the Group's payment of expenses on behalf of the associated companies together with cash advances or vice versa.

- (a) The balance is yet to be settled as at 31 July 2010. The Group chases settlement of debts regularly. Recently, Novostal Pte. Ltd. has agreed verbally to settle more than half of debts owing to the Group on or before 31 December 2010, and the remaining on or before the mid of 2011. The settlement agreement will be signed before the Listing.

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- (b) The balance is yet to be settled as at 31 July 2010. This was because substantial part of the debt represented cash advanced by the Group for investment in an associated company, Novostal Limited. The debt will be settled via contra accounts against the future dividend being received from Novostal Limited.
- (c) The balance had been classified as other receivable when the Group disposed of its equity interest in Iron And Steel Resources Limited on 30 April 2010. The balance is yet to be settled as at 31 July 2010, and the Group chases settlement of debts regularly.
- (d) The balance had been fully settled during FY2009.
- (e) The balance is yet to be settled as at 31 July 2010, but Shanghai CRQ has agreed to settle the debts on or before 22 October 2010 via a signed agreement.

Included in the trade and other payables is certain non-trade balances due to associated companies, directors and a minority shareholder of the Group and are summarised as follows. These balances arose from payment of expenses on behalf of the Group together with cash advances or vice versa.

		At 30 April		At 31 July
		2008	2009	2010
	<i>Note</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Associated companies				
– Novostal Limited	<i>(a)</i>	1,877	120,645	216,207
– Iron And Steel Resources Limited	<i>(b)</i>	577	5,514	–
– Novostal Pte. Ltd.	<i>(c)</i>	57,880	–	–
		<u>60,334</u>	<u>126,159</u>	<u>216,207</u>

- (a) The balance had been fully settled as at the Latest Practicable Date.
- (b) The balance had been offset against with debt due from Iron And Steel Resources Limited (“ISRL”) when the Group disposed of its equity interest in ISRL on 30 April 2010.
- (c) The balance had been fully settled during FY2009.

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	At 30 April		
	2008	2009	2010
	US\$	US\$	US\$
Directors			
– Yu Wing Keung Dicky	110,325	–	516,773
– Chow Kin Wa	15,950	–	221,474
	126,275	–	738,247
	126,275	–	738,247

The whole of balances due to the Directors as at 30 April 2008 were fully settled during FY2009. The whole balances due to the Directors as at 30 April 2010 were fully settled on or before 31 July 2010.

The balance due to a minority shareholder of US\$402,000 as at 30 April 2010 represented cash contributed by Oscar Maritime International Limited by way of shareholder's loan on a proportionate basis for the working capital purpose. The balance is expected to be settled when EBP has surplus cash for repayment of the advances made by its shareholders.

The Group did not give any guarantee to the associated companies during the Track Record Period. The Company has issued corporate guarantee to banks in respect of banking facilities granted to certain subsidiaries as at 30 April 2009 and 30 April 2010. Certain subsidiaries have issued corporate cross guarantees to banks in respect of banking facilities granted to the fellow subsidiaries during the Track Record Period.

Banking facilities and bank loans

The Group's existing banking facilities comprise the currency of HK\$, RMB and US\$. During the Track Record Period, the banking facilities available to the Group were mainly back to back L/C, front to back L/C, inventory loan, trust receipt financing, accounts receivable financing, and freight loan, etc., with rates charged at bank's cost plus margins or fixed rates above London Interbank Offered Rate plus handling fees.

Back to back L/C is an arrangement in which the L/C issued by the customer serves as the collateral for the L/C issued to the supplier. The advising bank of the customer becomes the issuing bank of the L/C issued to the supplier.

Front to back L/C is an arrangement in which the L/C issued to the supplier is issued before receiving the L/C issued by the customer. Upon receiving the L/C from the customer later on, the Group needs to place such L/C to its bank as collateral for the L/C issued to the supplier.

Inventory loan is a loan from bank on the condition that the inventory is pledged to the bank. As the inventory is converted into sales, the loan is gradually paid-off and new inventory is bought with a new loan, and the cycle starts all over again.

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Trust receipt financing is working capital for importers. It is beneficial when the importer wants to distribute the goods before paying for it. The importer has to repay the loan on the agreed due date to the lender. In an arrangement involving a trust receipt, the bank remains the owner of the goods, but the buyer is allowed to hold the goods in trust for the bank, for manufacturing or sales purposes.

Accounts receivable financing is an arrangement to allow companies to receive the money owed to them by discounting the accounts receivable to bank when money is owed to a company by a customer for cargoes provided on credit. Accounts receivable financing is a flexible way of obtaining finance to help companies free up capital that is held in accounts receivables.

When buying on FOB and selling on CFR, the Company needs to arrange the vessel to deliver the cargo to the customer. Freight loan is a loan from the bank to settle the payment to shipping company. At the time the Company submits the documents to customer through the Company's bank, the Company needs to settle such loan with its bank.

Details of the banking facilities as at 30 April 2008, 30 April 2009, 30 April 2010, 31 July 2010 and as at 30 September 2010 are as follows:

	Principal amount of banking facilities available to the Group (A) US\$	Amount utilised by the Group (B) US\$	Unutilised amount (A)-(B) US\$
As at 30 April 2008	356,923,077	189,245,871	167,677,206
As at 30 April 2009	339,401,000	91,100,064	248,300,936
As at 30 April 2010	305,743,993	180,975,530	124,768,463
As at the three months ended			
31 July 2010	331,951,363	57,556,362	274,395,001
As at 30 September 2010	331,934,152	24,597,981	307,336,171

In view of the unutilised facility lines of approximately US\$307 million and cash and cash equivalents of approximately US\$23 million as at 30 September 2010, the Directors consider that the Group is able to manage its working capital needs.

The amount of banking facilities utilised by the Group as at 30 April 2008 was approximately US\$189 million, representing approximately 53.0% of the principal amount of banking facilities available to the Group as at that date. The amount of banking facilities utilised by the Group as at 30 April 2009 was approximately US\$91.1 million, representing approximately 26.8% of the principal amount of banking facilities available to the Group as at

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that date. The amount of banking facilities utilised by the Group as at 30 April 2010 was approximately US\$181 million, representing approximately 59.2% of the principal amount of banking facilities available to the Group as at that date. The amount of banking facilities utilised by the Group as at 31 July 2010 was approximately US\$57.6 million, representing approximately 17.3% of the principal amount of banking facilities available to the Group as at that date.

The principal amount of the banking facilities available to the Group as at 30 April 2008 amounted to approximately US\$357 million while that was reduced to approximately US\$306 million as at 30 April 2010. The decrease in the banking facilities available to the Group from FY2008 to FY2010 was mainly due to (i) the cancellation of the banking facilities of a principal amount of US\$75 million (“US\$75 million Facility”) during FY2009 upon mutual agreement between the Group and the bank concerned; and (ii) the cancellation of banking facilities of US\$30 million with another bank, which facilities were not frequently utilised by the Group. The Group agreed to terminate on mutual and amicable basis the US\$75 million Facility because the proposed terms of such banking facilities required, among others, the provision of personal guarantees from certain executive Directors and such proposed terms were not agreed by the Group as the Group’s other available banking facilities were not made to the Group on similar terms. Notwithstanding the cancellation of the abovementioned banking facilities, over FY2009 and FY2010, the Group increased the principal amount of certain banking facilities as compared to the amount available in FY2008 and also obtained new banking facilities from other banks. Accordingly, the Directors do not consider that the Group’s trading business was significantly adversely affected by the decrease in the banking facilities available to the Group from FY2008 to FY2010.

While the utilisation of the Group’s banking facilities as at 30 April 2008 and as at 30 April 2009 and 31 July 2010 were relatively stable, the utilisation of the banking facilities of the Group as at 30 April 2010 increased substantially. A substantial portion (approximately US\$167.1 million) of the utilised banking facilities as at 30 April 2010 was represented by L/C outstanding, issuance export documents and shipping guarantee issued due to business requirements and commitments for the Group’s trading business towards the end of FY2010.

As at 31 July 2010, the Group was subject to certain restrictive covenants imposed under the banking facilities made available to the Group members, which included:

- (a) covenants relating to specific performance obligations on controlling shareholders such as minimum interest in borrower(s) held by Mr. Yu and/or Mr. Chow and management under both of them;
- (b) financial covenants such as minimum tangible net worth, minimum working capital, limitation on distribution of dividend by borrower(s), limitation on assets disposal by borrower(s), minimum market capitalization, maintaining financial ratios by borrower(s) such as current assets/current liabilities ratio, loan-to-inventory collateral ratio, loan-to-market value of mortgaged property(ies) ratio, total debt/total assets ratio; and

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- (c) other restrictive covenants such as bank information rights, corporate guarantee, adequate insurance coverage, no material adverse change in financial/operational conditions, listing on the SGX-ST.

The potential consequence of breaching the restrictive covenants is that all outstanding amounts under the relevant banking facility would become immediately due and payable together with interest accrued. The Group was in compliance with all the above restrictive covenants as at 31 July 2010.

As at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010, the total borrowings of the Group amounted to approximately US\$4.6 million, nil, approximately US\$13.9 million, and approximately US\$18.9 million. A substantial portion of the borrowings of the Group as at 30 April 2008, 30 April 2010 and 31 July 2010 were classified as current liabilities.

The total borrowings of the Group as at 30 April 2008 of approximately US\$4.6 million comprised mortgage loan of approximately US\$0.4 million, freight loans of approximately US\$0.6 million and import bills loans of approximately US\$3.6 million while the total borrowings of the Group as at 31 July 2010 increased to approximately US\$18.9 million, comprising inventory loans of approximately US\$10.2 million for financing the domestic trading and distribution in Hong Kong, bank loan of approximately US\$5.2 million for financing the domestic trading and distribution in the PRC and mortgage loan of approximately US\$2.9 million for financing the acquisition of the office premises situated at Rooms 1110-1111 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The Group will continue to utilise its banking facilities to fund its operation (by trade finance) and to fund the acquisition costs of its office premises (by way of mortgage loan).

The weighted average interest rates at the balance sheet dates during the Track Record Period were as follows:

	Group			
	2008	At 30 April		At 31 July
	2009	2010	2010	
	%	%	%	%
Bank loans	–	–	4.62	2.48
Freight loans	4.67	–	–	–
Import bills loans	4.59	–	–	–
Inventory loans	–	–	2.82	2.96
Mortgage loan	2.30	–	0.98	1.17
Trust receipt loans	–	–	2.31	2.83
	–	–	2.31	2.83

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Cash flows

Overview

The following table sets forth the changes in cash flow of the Group for the Track Record Period:

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
	US\$	US\$	US\$	US\$	US\$
	(Unaudited)				
Net cash used in operating activities	<u>(2,064,369)</u>	<u>(682,191)</u>	<u>(6,152,124)</u>	<u>(738,671)</u>	<u>(11,753,213)</u>
Net cash generated from/(used in) investing activities	<u>441,750</u>	<u>(139,304)</u>	<u>(6,572,190)</u>	<u>(536,259)</u>	<u>(15,670)</u>
Net cash generated from/(used in) financing activities	<u>22,205,242</u>	<u>(3,849,985)</u>	<u>8,793,853</u>	<u>(7,125,595)</u>	<u>18,194,865</u>
Cash and cash equivalents at end of year/period	<u><u>21,698,954</u></u>	<u><u>16,892,630</u></u>	<u><u>13,047,929</u></u>	<u><u>8,492,105</u></u>	<u><u>19,473,911</u></u>

Operating activities

During the Track Record Period, the Group's cash flow for operating activities has fluctuated significantly with movement of working capital, which in generally fluctuated with the Group's operations and business development.

The Group recorded net cash outflow in its operating activities for the respective financial year and period during the Track Record Period.

For FY2008, the Group recorded net cash outflow for operating activities of approximately US\$2.1 million, which was mainly due to the significant increase in trade and other receivables of approximately US\$36.0 million during the financial year, which in turn was mainly attributable to the significant increment in trade and bills receivables as at 30 April 2008 as compared to that as at 30 April 2007. Such increase was due to relatively high sales recorded by the Group close to the balance sheet date of FY2008.

For FY2009, the Group almost achieved break even in terms of cash generated from/used in operating activities with a minimal net cash outflow for operating activities of approximately US\$0.7 million in FY2009.

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For FY2010, the Group recorded a net cash outflow in operating activities of approximately US\$6.2 million, which was mainly due to a significant increment in inventories with an amount of approximately US\$26.5 million in FY2010 (nil for FY2009) as the Group started to keep inventories for its domestic trading and distribution in FY2010. If the cash outflow in relation to the inventories were excluded, the Group would record net cash inflow in operating activities for FY2010.

For 1QFY2011, the Group recorded a net cash outflow in operating activities of approximately US\$11.8 million, which was mainly due to a significant increase in trade and other receivables of approximately US\$10.5 million as at 31 July 2010 which in turn mainly arose from the Group's entering into some sales transactions by the balance sheet date with payments to be made by the customers within 90 days after sight against relevant certificates issued by Entry-Exit Inspection and Quarantine of the PRC.

Investing activities

During the Track Record Period, cash used in investing activities primarily arisen from purchase of property, plant and equipment.

For FY2008, the Group's net cash generated from investing activities amounted to approximately US\$0.4 million, which was primarily attributable to a sum of approximately US\$0.5 million which represented the net cash acquired from the Reverse Acquisition.

For FY2009, the Group's net cash used in investing activities amounted to approximately US\$0.1 million, which was primarily attributable to purchase of property, plant and equipment of approximately US\$0.1 million.

For FY2010, the Group's net cash used in investing activities amounted to approximately US\$6.6 million, which was primarily attributable to an amount of approximately US\$6.1 million used in purchase of property, plant and equipment.

For 1QFY2011, the Group's net cash used in investing activities amounted to approximately US\$15,670, which was mainly attributed to construction in progress of Novo (TJ).

Financing activities

During the Track Record Period, cash used in financing activities primarily consisted of movement in fixed deposits and cash pledged, payment of dividend, repayment of borrowings and payment of interest expenses while cash generated from financing activities primarily included proceeds from borrowings and net proceeds from issue of new shares.

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For FY2008, the Group's net cash generated from financing activities amounted to approximately US\$22.2 million, which was primarily attributable to the decrease in fixed deposits and cash pledged of approximately US\$5.0 million, the net proceeds from short-term borrowings of approximately US\$3.1 million and the net proceeds from the issue of new shares of approximately US\$20.9 million which off-set the payment of dividend of US\$4.0 million and the payment of interest expenses of approximately US\$1.9 million.

For FY2009, the Group's net cash used in financing activities amounted to approximately US\$3.8 million, which was primarily attributable to the repayment of short-term borrowings of approximately US\$4.2 million, purchase of treasury shares of approximately US\$2.0 million and the payment of interest expenses of approximately US\$2.1 million. During the same year, cash generated from financing activities included decrease in fixed deposits and cash pledged of approximately US\$4.4 million and the capital injection by minority shareholders of approximately US\$0.6 million.

For FY2010, the Group's net cash generated from financing activities amounted to approximately US\$8.8 million, which was primarily attributable to the net proceeds from short-term borrowings of approximately US\$10.9 million, the net proceeds from new shares issued of approximately US\$8.2 million, the net proceeds from disposal of treasury shares of approximately US\$5.7 million, the advances from minority shareholders of approximately US\$0.6 million and the capital injection by minority shareholders of approximately US\$0.3 million which off-set the dividend paid of approximately US\$4.2 million, the increase in fixed deposits and cash pledged of an amount of approximately US\$14.9 million, and the payment of interest expense of approximately US\$0.4 million.

For 1QFY2011, the Group's net cash generated from financing activities amounted to approximately US\$18.2 million, which was due to cash inflow of approximately US\$14.0 million from fixed deposits and cash pledged and net proceeds of approximately US\$5.1 million from short term borrowings.

General

With a view to improve the Group's overall cash flow position, the Group plans to, in the future and subject to the negotiation of terms of financing with its bankers, use stock financing to purchase inventories and will strive to maintain the relatively short trade receivables turnover days.

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Major financial ratios

Set out below is certain major financial ratios of the Group:

	FY2008	FY2009	FY2010	1QFY2010	1QFY2011
Trade receivables turnover days (<i>Note 1</i>)	28	22	9	26	16
Trade payables turnover days (<i>Note 2</i>)	25	14	13	17	1
Inventories turnover days (<i>Note 3</i>)	N/A	N/A	28	5	21
Return on equity (<i>Note 4</i>)	28.9%	3.9%	19.2%	8.9%	2.4%
		As at 30 April		As at 31 July	
	2008	2009	2010	2009	2010
Gearing ratio (<i>Note 5</i>)	5.8%	0%	15.2%	1.5%	20.4%
Current ratio (<i>Note 6</i>)	2.0	3.0	3.1	3.0	3.1

Notes:

- (1) Trade receivables turnover days equals to the closing trade and bills receivables of the period divided by the revenue during such period and then multiplied by the number of days during the period.
- (2) Trade payables turnover days equals to the closing trade and bills payables of the period divided by the cost of sales during such period and then multiplied by the number of days during the period.
- (3) Inventories turnover days equals to the closing inventories of the period divided by the cost of sales during such period and then multiplied by the number of days during the period.
- (4) Return on equity equals to the profit attributable to equity holders of the Company for each period divided by the closing balance of the total equity as at the end of the respective period multiplied by 100%.
- (5) Gearing ratio is calculated by dividing total borrowings by total assets as at the end of the respective period multiplied by 100%.
- (6) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective period.

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Trade and bills receivables analysis

The following table sets forth the ageing analysis of trade and bills receivables as at the respective balance sheet date during the Track Record Period:

	At 30 April		At 31 July	
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Current	<u>35,787,690</u>	<u>29,001,987</u>	<u>8,113,576</u>	<u>17,440,373</u>
Less than 1 month past due	–	2,266,956	1,461,067	3,065,760
1 to 3 months past due	924,010	–	289,658	229,947
3 to 12 months past due	–	–	141,863	130,613
over 12 months past due	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Amount past due	<u>924,010</u>	<u>2,266,956</u>	<u>1,892,588</u>	<u>3,426,320</u>
	<u><u>36,711,700</u></u>	<u><u>31,268,943</u></u>	<u><u>10,006,164</u></u>	<u><u>20,866,693</u></u>

In general, the Group requires its customers to settle payment by L/Cs at sight.

Trade and bills receivables as at 30 April 2009 were approximately US\$31.3 million, representing a decrease of approximately 14.8% as compared with that as at 30 April 2008. Trade and bills receivables as at 30 April 2010 were approximately US\$10.0 million, representing a decrease of approximately 68.0% as compared with that as at 30 April 2009.

Trade and bills receivables as at 31 July 2010 were approximately US\$20.9 million, representing an increase of approximately 108.5% as compared with that as at 30 April 2010.

An aggregate of approximately US\$2.3 million, representing approximately 7.2% of the Group's trade and bills receivables as at 30 April 2009 were past due. This was resulted from a customer's request for an extension of payment.

As at the Latest Practicable Date, all of the Group's trade and bills receivables past due as at 31 July 2010 had been settled.

Trade receivables turnover days during the Track Record Period ranged from approximately 9 days (FY2010) to approximately 28 days (FY2008). The Group recorded a relatively higher trade receivables turnover days for FY2008 and FY2009 than that for FY2010 as the Group recorded some sales near the balance sheet date of each of FY2008 and FY2009 when compared with FY2010 while the payment of such sales was not settled as at the relevant balance sheet date. Readers should note that the amount of trade and bills receivables as at the balance sheet date may not be a meaningful indicator to assess the Group's trade and bills receivables recoverability because the amount of trade and bills receivables of the Group as at

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balance sheet date depends on whether the Group records sales near the balance sheet date and whether the payment of such sales is settled by the customers as at the balance sheet date. The Group may not have sales daily. If the Group does not record sales near the balance sheet date, the amount of trade and bills receivables will normally be lower as at the balance sheet date. On the other hand, if the Group records sales near the balance sheet date and the relevant payments are not settled by customers, the amount of trade and bills receivables will normally be higher as at the balance sheet date.

As at the Latest Practicable Date, approximately US\$14.1 million out of the trade and bills receivables as at 31 July 2010 was received.

In addition to trade and bills receivables and non-trade balances due from associated companies and minority shareholder, included in the trade and other receivables were:

- advance payment to suppliers, which amounted to approximately US\$8.7 million as at 30 April 2008, approximately US\$2.9 million as at 30 April 2009, approximately US\$3.9 million as at 30 April 2010 and approximately US\$1.9 million as at 31 July 2010, and which were deposits for purchases as requested by suppliers;
- temporary payment, which amounted to nil as at 30 April 2008, approximately US\$0.3 million as at 30 April 2009, approximately US\$0.3 million as at 30 April 2010 and approximately US\$0.3 million as at 31 July 2010, and which were advanced operation expenses, expenses incurred for the application of the scrap licence and payment in advance for legal services;
- prepayments, which amounted to approximately US\$0.8 million as at 30 April 2008, approximately US\$1.3 million as at 30 April 2009, approximately US\$0.8 million as at 30 April 2010 and approximately US\$1.7 million as at 31 July 2010, and which included, as appropriate, prepaid office expenses, prepaid port fees, advanced payment for distribution agency fees, freight insurance and prepaid legal service charges; and
- other receivables, which amounted to approximately US\$1.1 million as at 30 April 2008, approximately US\$0.8 million as at 30 April 2009, approximately US\$3.9 million as at 30 April 2010 and approximately US\$4.4 million as at 31 July 2010 and such receivables were payment made on behalf of agents, port handling charges and demurrage.

Inventories turnover days

The Group did not record any inventories as at 30 April 2008 and 30 April 2009. As at 30 April 2010 and 31 July 2010, the inventories of the Group amounted to approximately US\$26.5 million and approximately US\$25.3 million respectively. The inventories turnover days for FY2010 and 1QFY2011 were 28 days and 21 days respectively. As at 30 September 2010, the Group has sold approximately US\$8.0 million of such inventories as at 31 July 2010.

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Trade and bills payables analysis

Set out below is the ageing analysis of the Group's trade and bills payables as at the respective balance sheet date during the Track Record Period:

	At 30 April		At 31 July	
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Due within 3 months or on demand	28,070,530	18,870,360	11,710,366	1,348,886
Due after 3 months but within 6 months	–	–	163,046	–
Due after 6 months but within 1 year	–	–	–	42,597
Due over 1 year	–	–	45,970	45,970
	<u>28,070,530</u>	<u>18,870,360</u>	<u>11,919,382</u>	<u>1,437,453</u>

The Group normally is required to settle its purchases by L/Cs at sight. Trade and bills payables as at 30 April 2009 were approximately US\$18.9 million, representing a decrease of approximately 32.8% compared with that as at 30 April 2008.

Trade and bills payables as at 30 April 2010 were approximately US\$11.9 million, representing a decrease of approximately 36.8% compared with that as at 30 April 2009.

Trade and bills payables as at 31 July 2010 were approximately US\$1.4 million, representing a decrease of approximately 87.9% as compared with that as at 30 April 2010.

Trade payables turnover days during the Track Record Period ranged from approximately 1 day (1QFY2011) to approximately 25 days (FY2008). The sharp drop of the trade payables turnover days of 25 days for FY2008 to 14 days for FY2009 was resulted from a decrease in trade and bills payables as at 30 April 2009 which is in line with the decrease in cost of sales at the end of FY2009. The sharp drop of the trade payables turnover days of 17 days for 1QFY2010 to approximately 1 day for 1QFY2011 was resulted from a significant decrease in trade and bills payables as at 31 July 2010 due to the fact that the new suppliers of the Group requested the Group to settle the purchases on cash-on-delivery basis during 1QFY2011.

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Accrued operating expenses with an amount of approximately US\$1.9 million as at 30 April 2008, approximately US\$0.5 million as at 30 April 2009, approximately US\$0.7 million as at 30 April 2010 and approximately US\$0.8 million as at 31 July 2010 were included in “Trade and other payables” of the respective financial year or period end date. The accrued operating expenses represented distribution agency fees incurred but not paid and such unpaid distribution agency fees as at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010 represented approximately 50.1%, approximately 54.1%, approximately 23.5% and approximately 39.3% of the accrued operating expenses for the respective year/period. The higher amount of accrued but unpaid distribution agency fees as at 30 April 2008 was in line with the fact that the Group’s revenue in April 2008 accounted for approximately 9.5% of the Group’s revenue for FY2008. The relatively higher amount of accrued operating expenses recorded for FY2008 was due to higher unsettled distribution agency fees recorded as at 30 April 2008 as compared to that recorded as at 30 April 2009, 30 April 2010 and 31 July 2010.

As at the Latest Practicable Date, except for an amount of approximately US\$89,000, all trade and other payables as at 31 July 2010 has been settled in full.

Return on equity

For each of the three years ended 30 April 2010 and 1QFY2011, the return on equity of the Group was approximately 28.9%, 3.9%, 19.2% and 2.4% respectively. The decrease of the Group’s return on equity from 28.9% for FY2008 to 3.9% for FY2009 was mainly attributable to the significant decrease in net profit attributable to equity holders of the Company from approximately US\$11.6 million for FY 2008 to approximately US\$1.6 million for FY2009, while the closing balance of total equity attributable to equity holders of the Company in FY2009 was comparable to that of FY2008. The increase of the Group’s return on equity from 3.9% for FY2009 to 19.2% for FY2010 was mainly attributable to the significant increase in net profit attributable to equity holders of the Company from approximately US\$1.6 million for FY2009 to approximately US\$11.8 million for FY2010, while the closing balance of total equity attributable to equity holders of the Company only increased by approximately 51.2%, which was mainly due to the net proceeds from the share placement conducted by the Group in FY2010 and the net profit made by the Group for FY2009.

The Group’s return on equity decreased to approximately 2.4% for 1QFY2011 as compared to 8.9% for the same period of the previous financial year, which was mainly due to the decrease in gross profit and hence net profit as analyzed above, and the increase in the closing balance of equity attributable to equity holders of the Company as at 31 July 2010 of approximately 42.2%.

Gearing ratio

The gearing ratio of the Group was approximately 5.8% as at 30 April 2008. As at 30 April 2009, the Group did not record any borrowings due to the full repayment of the Group’s bank borrowings during FY2009.

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The gearing ratio of the Group as at 30 April 2010 was approximately 15.2% which was due to the new borrowings of approximately US\$13.9 million recorded as at 30 April 2010, which were used for financial the acquisition of the office premises situated in Hong Kong and the Group's domestic trading and distribution business. The utilised amount of banking facilities as at 30 April 2010 amounted to approximately US\$181.0 million.

The gearing ratio of the Group as at 31 July 2010 was approximately 20.4%, representing an increase of 5.2 percentage points as compared with that as at 30 April 2010. Such increase was mainly due to the higher total borrowings balance as at 31 July 2010, which mainly arose from the additional bank loans and inventory loans which offset partially the decrease in trust receipt loans, as compared with that as at 30 April 2010 while the total assets were comparable.

Current ratio

The current ratio of the Group improved from 2.0 times as at 30 April 2008 to 3.0 times as at 30 April 2009, which was attributable to the greater reduction in current liabilities in FY2009 of approximately US\$20.3 million, which was principally caused by a decrease of approximately US\$9.2 million of trade and bills payables, a decrease in sales deposit received of approximately US\$2.6 million and a decrease in accrued operating expenses of approximately US\$1.4 million, in each case, as at the respective balance sheet date, than the decrease in current assets of approximately US\$19.9 million. The Directors attributed such decrease to a decrease in sales for the second half of FY2009 as a result of the global financial crisis in late 2008.

The current ratio of the Group was 3.1 times as at 30 April 2010, which was comparable to 3.0 times as at 30 April 2009. In FY2010, both current assets and current liabilities increased at a rate of approximately 42.3% and approximately 38.9% respectively. The Directors attributed such increase to the business recovery in FY2010.

The current ratio of the Group was 3.1 times as at 31 July 2010, which was comparable to that as at 30 April 2010 mainly due to that the current assets and current liabilities remained stable as at the relevant balance sheet date.

Contingent liabilities

The Group's contingent liabilities during the Track Record Period comprised discounted bills with recourse supported by letters of credits ("Discounted Bill Liability") and corporate guarantees to banks in respect of banking facilities of members of the Group ("Guarantee Liability"). As at 30 April 2008, the Discounted Bill Liability amounted to approximately US\$56.6 million and there was no Guarantee Liability. As at 30 April 2009, the Discounted Bill Liability amounted to approximately US\$48.4 million while the Guarantee Liability amounted to US\$340 million. As at 30 April 2010, the Discounted Bill Liability amounted to approximately US\$20.2 million while the Guarantee Liability amounted to approximately US\$309.8 million. As at 31 July 2010, there was no Discounted Bill Liability while the Guarantee Liability amounted to approximately US\$338.0 million.

FINANCIAL INFORMATION

On 26 March 2008, a bank granted an ad hoc facility (the “AD Facility”) to a subsidiary of the Company, Novo CPL, for financing a purchase of goods by Novo CPL from a supplier, and prepaid, before the year end of FY2008, approximately US\$17.6 million on behalf of Novo CPL to the supplier.

This AD Facility was granted on a without recourse basis with drawdown validity up to 30 May 2008. The without recourse condition of the AD Facility means that Novo CPL has no obligation to repay the loan as long as the loan is covered by the corresponding insurance policy(ies) over the risk of delivery performance by the supplier. The without recourse agreement will become invalid immediately under the following scenarios: (a) completion of delivery performance by the supplier; (b) violation and/or breach of any terms and conditions of the AD Facility; (c) violation and/or breach of any terms and conditions of the insurance policy(ies); (d) exceptions and/or any situation not covered by the insurance policy(ies); and (e) failure and/or refusal of a payout to claim under the insurance policy(ies).

As at 30 April 2008, the supplier’s obligation under the purchase had not been fulfilled and the prepayment by the bank was made on a without recourse basis. As such, no asset and liability was recognized in the Group’s financial statements as at 30 April 2008. This without recourse bank loan under the AD Facility was registered as contingent liability in the financial statement for FY2008.

The transaction was duly completed in FY2009 upon delivery of the goods by the supplier. Afterwards, there were no more contingent liabilities relating to this transaction.

The amount of bills discounted with recourse was decreasing during the Track Record Period. The decreasing trend was in line with the drop in trade and bills receivables. The balance of trade and bills receivables as at 30 April 2010 decreased by approximately 68% when compared with those as at 30 April 2009 because a majority of trade and bills receivables as at 30 April 2010 were in the terms of L/C at sight, while a portion of trade and bills receivables as at 30 April 2009 were in the terms of D/A 120 days. The reduction was also due to temporary cessation of trading activities in one of the subsidiaries, Novo CPL. As at 30 April 2009, trade and bills receivables of Novo CPL were approximately US\$1.6 million.

The balance of trade and bills receivables as at 30 April 2009 reduced by approximately 14.8% when compared with that as at 30 April 2008, because a bulk sales of iron ore in Novo HK was incurred near the year end date of FY2009, while such increase was set off by the significant reduction of trade and bills receivables of Novo CPL, whose balance dropped by US\$16.2 million when compared with that as at 30 April 2008. The Directors attributed such drop to the temporary cessation of trading activities of Novo CPL starting from October 2008.

The Company has issued corporate guarantees to banks for banking facilities granted to its subsidiaries.

FINANCIAL INFORMATION

The balances as at 30 April 2010 and 2009 remained more or less at a stable level ranging from approximately US\$310 million to US\$340 million. The balance was nil as at 30 April 2008 since the Group's then banking facilities were secured by personal guarantees of certain Directors. After the Reverse Acquisition, the Group gradually replaced the personal guarantee of directors by the corporate guarantees of the Company.

Commodity price risk

Given that most of the Group's purchases and sales in international trading are conducted on a back-to-back basis, in general, the Group is able to effectively transfer any risk arising from price change to the Group's customers. However, as discussed under the paragraph headed "Gross profit and gross profit margin" in this section above, shortly after the commencement of the global financial crisis in late 2008, the price of the steel products experienced a sharp plunge and a number of the Group's customers, after the occurrence of the global financial crisis and as a result of the sharp decrease in price, re-negotiated the contract terms with the Group. The Group reduced its profit margin in certain transactions which took place after the global financial crisis in FY2009. Under such special circumstances, the Group did experience a fall in the gross profit margin in FY2009. The Group's gross profit margin for FY2010 was restored to a level similar to that for FY2008.

The Group experienced a decrease in gross profit margin for 1QFY2011, details of which are set out above.

Capital expenditure

The Group's capital expenditure mainly relates to the acquisition of properties, plants and equipments ("PPE").

The carrying amount of PPE of the Group as at the balance sheet date during the Track Record Period was as follows:

	As at 30 April			As at
	2008	2009	2010	31 July
	US\$	US\$	US\$	2010
				US\$
Carrying amount of PPE	1,487,283	1,499,567	7,624,809	7,588,651

FINANCIAL INFORMATION

The total carrying amount of PPE as at 30 April 2010 increased by approximately 5 times when compared with that as at 30 April 2009. This was mainly because the Group acquired a piece of land located in Tianjin with carrying amount of approximately US\$1.1 million and the office premises located in Hong Kong with carrying amount of approximately US\$4.4 million in FY2010.

There were no material fluctuations between the total carrying amount of PPE as at 30 April 2008 and 2009 and between that as at 30 April 2010 and 31 July 2010.

Possible impact of certain non-recurring expenses to financial performance

The estimated expenses in relation to the Introduction are approximately US\$1,400,000, which are non-recurring expenses. Such expenses are to be charged to the consolidated income statements of the Group for the three months ending 31 January 2011.

RELATED PARTY TRANSACTIONS

The following transactions are related party transactions as referred to in note 5 to the Accountants' Report as set out in Appendix I to this document. The related party transactions, other than remuneration paid to key management personnel, are classified into "Continuing" and "Discontinuing" as listed out in note 5 therein. The Directors consider that the related party transactions were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business of the Group.

The details of the related party transactions are stated below and divided into each of FY2008, FY2009, FY2010 and 1QFY2011 as explained respectively.

- (A) Other than remuneration paid to key management personnel, the details of other related party transactions for FY2008 are summarised as below:

	<i>Note</i>	FY2008 <i>US\$</i>
Agency fees from an associated company	(a)	6,438
Agency fees paid to an associated company	(b)	1,248
Service fees from an associated company	(c)	115,385
Management fees from an associated company	(d)	<u>307,692</u>

- (a) A subsidiary, Novo HK which was incorporated in Hong Kong and is engaged in trading of steel products, charged shipping agency fee for arranging of the chartering and shipments to an associated company, Novostal Pte. Ltd. which was incorporated in Singapore and is engaged in trading of steel products. The charge rate was at 3.75% on the contract amount and was an incidental case.
- (b) This was the agency fee for arranging L/C charged by Novostal Pte. Ltd. to Novo HK in the settlement of a contract. The charge rate was US\$0.25 per tonne of actual quantity shipped.

FINANCIAL INFORMATION

- (c) A subsidiary, Novo IL which was incorporated in Hong Kong and is engaged in provision of general advice and consultancy services, had agreed and charged a monthly service fee against an associated company, Novostal Limited which was incorporated in Hong Kong and is engaged in trading of steel products, for services provided from 1 May 2007 to 30 April 2008. Novostal Limited therefore paid a monthly fee of HK\$75,000 (equivalent to US\$9,615) to Novo IL.
- (d) Novo HK charged management fees against Novostal Limited for sharing the administrative and management fees incurred by Novo HK during the period from 1 May 2007 to 30 April 2008 at a monthly rate of HK\$200,000 (equivalent to US\$25,641).
- (B) Other than remuneration paid to key management personnel, the details of other related party transactions for FY2009 are summarised as below:

	<i>Note</i>	FY2009 <i>US\$</i>
Agency fees paid to associated companies	<i>(a)</i>	162,928
Distribution agency fee from an associated company	<i>(b)</i>	86,931
Service fees from associated companies	<i>(c)</i>	115,385
Management fees from associated companies	<i>(d)</i>	442,923
Miscellaneous handling expenses paid to an associated company	<i>(e)</i>	42,106
Professional fees paid to a related party	<i>(f)</i>	134,000
Purchase of goods from a related party	<i>(g)</i>	134,498

- (a) This transaction is divided into 3 parts:
- (I) Novo HK paid agency fees of US\$79,625 for arranging L/Cs to Novostal Limited. The charge rate was US\$2 per tonne of actual quantity shipped.
- (II) A subsidiary, Novo CPL which was incorporated in Singapore and is engaged in trading of steel products, paid agency fees of US\$44,373 to Novostal Limited for conducting business activities such as L/C handling, arranging banking facilities and operation of payment and settlement on behalf of Novo CPL. The charge rate was US\$2 per tonne of actual quantity shipped.
- (III) Novo CPL also paid agency fees of US\$38,930 to Novostal Pte. Ltd. for conducting business activities such as L/C handling, arranging banking facilities and operation of payment and settlement on its behalf. The charge rate was US\$2 per tonne of actual quantity shipped.

FINANCIAL INFORMATION

- (b) A subsidiary, Novosteel DMCC, which was incorporated in the United Arab Emirates and is engaged in trading, charged distribution agency fees against Novostal Pte. Ltd. for its provision of services such as product sales, purchases and marketing, business promotion, technical advice and logistic arrangement, etc. In return, Novostal Pte. Ltd. paid a mutually agreed profit sharing ratio of the profit earned based on actual profit generated from all export orders from Vietnam of actual quantity shipped. This was a one-off transaction.
- (c) This transaction is divided into 2 parts:
- (I) Novo IL charged service fees of US\$28,847 against Novostal Limited for provision of general advice and consultancy services from 1 May 2008 to 31 July 2008. In return, Novostal Limited paid monthly fee of HK\$75,000 (equivalent to US\$9,615) to Novo IL. This arrangement had been terminated by both parties effective from 1 August 2008.
- (II) Novo IL charged service fee of US\$86,538 against Novostal Pte. Ltd. for provision of general advice and consultancy services from 1 August 2008 to 30 April 2009. In return, Novostal Pte. Ltd. paid monthly fee of HK\$75,000 (equivalent to US\$9,615) to Novo IL.
- (d) This transaction is divided into 2 parts:
- (I) Novo CPL charged management fees of US\$366,000 against Novostal Pte. Ltd. for provision of administrative services, such as advice and assistance with regard to present and future operations and activities; referral of and advice and recommendation concerning general and specific business opportunities, as well as providing technical assistance and professional advice on operational matters. Novo CPL would charge Novostal Pte. Ltd. a professional fee according to the nature of service rendered on a case by case basis. The fee would be quoted and agreed by the respective parties before the services being rendered. The provision of such service was terminated effective from 1 May 2009.
- (II) Novo HK charged management fees of US\$76,923 against Novostal Limited for sharing the administrative and management fees incurred by Novo HK from 1 May 2008 to 31 July 2008 at a monthly rate of HK\$200,000 (equivalent to US\$25,641). All relevant parties agreed to terminate this arrangement effective from 1 August 2008.
- (e) Novo HK paid miscellaneous handling expenses to Novostal Limited for the preparing and finalising suppliers' contracts on its behalf. The charge rate was US\$1.5 per shipped quantity of the respective contracts. This was a one-off transaction.

FINANCIAL INFORMATION

- (f) Novo CPL had paid professional fees to a related party, Focus Capital Investment Inc (“Focus Capital”), for provision of consultancy services (including providing advice on investor relationship management and co-ordination services on matters relating to fund raising exercise). The charge rate was US\$134,000 per annum.

Focus Capital is co-founded by Mr. Chow Kin San who is a Director and also a chief executive officer of Focus Capital.

- (g) Qianghua (Shanghai) purchased steel products from Shanghai CRQ, a limited liability company incorporated in the PRC and is engaged in among other things, trading of steel products and their raw materials. On or after June 2009, Qianghua (Shanghai) was 80% owned by the Group and 20% owned by Shanghai CRQ.

- (C) Other than remuneration paid to key management personnel, the details of other related party transactions for FY2010 are summarised as below:

	<i>Note</i>	FY2010 <i>US\$</i>
Agency fees paid to an associated company	<i>(a)</i>	326,825
Service fees from an associated company	<i>(b)</i>	28,846
Professional fees paid to a related party	<i>(c)</i>	134,000
Sales of goods to related parties	<i>(d)</i>	3,909,791
Purchase of goods from related parties	<i>(e)</i>	3,283,108
Sales of goods to a minority shareholder	<i>(f)</i>	29,812
Purchase of goods from a minority shareholder	<i>(g)</i>	257,205
Warehouse rental charges paid to related parties	<i>(h)</i>	257,151
Office rental charges paid to a related party	<i>(i)</i>	10,385
Sales of goods to a minority shareholder	<i>(j)</i>	73,134
Purchase of goods from a minority shareholder	<i>(j)</i>	1,896,558
Vessels rental income from a related party	<i>(k)</i>	4,962,864
Vessels rental charges paid to a related party	<i>(k)</i>	4,477,100
Purchase of a motor vehicle from a director	<i>(l)</i>	3,590
Other operating income from a related party	<i>(m)</i>	<u>385,171</u>

- (a) Novo HK paid agency fees of US\$326,825 for arranging L/Cs to Novostal Limited. The charge rate was US\$2 per tonne of actual quantity shipped.

- (b) Novo IL charged service fees against Novostal Pte. Ltd. for provision of general advice and consultancy services from 1 May 2009 to 31 July 2009. In return, Novostal Pte. Ltd. paid monthly fee of HK\$75,000 (equivalent to US\$9,615) to Novo IL. Such service was terminated by all relevant parties effective from 1 August 2009.

FINANCIAL INFORMATION

- (c) Novo CPL paid professional fees to a related party, Focus Capital for provision of consultancy services (including providing advice on investor relationship management and co-ordination services on matters relating to fund raising exercise). The charge rate was US\$134,000 per annum. Focus Capital agreed to terminate provision of services effective from 1 May 2010.

Focus Capital is co-founded by Mr. Chow Kin San, who is a Director and also a chief executive officer of Focus Capital.

- (d) This transaction is divided into 2 parts:

- (I) A subsidiary, Novo Steel (HK) which was incorporated in Hong Kong and is engaged in trading of steel products, sold steel products of US\$3,262,697 to Globe Star Steel Company Limited (“Globe Star Steel”), which was also incorporated in Hong Kong and is engaged in trading of steel products.

Novo Steel (HK) is 51% owned by the Group and 49% owned by Thomson Steel Company Limited (“Thomson Steel”), the latter of which was incorporated in Hong Kong and 60% owned by Mr. Lee Foo Keung, Eric (“Mr. Lee”). Globe Star Steel is wholly owned by Mr. Lee and his spouse.

- (II) Novo Steel (HK) sold steel products of US\$647,094 to Thomson Steel who is engaged in trading of steel products.

This transaction falls into the definition of connected transactions under the Listing Rules of which are disclosed in detail in the section headed “Connected transactions” in this document.

- (e) This transaction is divided into 2 parts:

- (I) Novo Steel (HK) purchased steel products of US\$3,110,776 from Globe Star Steel.

- (II) Novo Steel (HK) purchased steel products of US\$172,332 from Globe Star International Limited (“Globe Star International”), which was incorporated in Hong Kong and is engaged in trading of steel products.

Novo Steel (HK) is 51% owned by the Group and 49% owned by Thomson Steel the latter of which is 60% owned by Mr. Lee. Globe Star International is wholly owned by Mr. Lee and his spouse.

This transaction falls into the definition of connected transactions under the Listing Rules of which are disclosed in detail in the section headed “Connected transactions” in this document.

FINANCIAL INFORMATION

- (f) Qianghua (Shanghai), a company incorporated in Shanghai, the PRC and engaged in trading of steel products and investment holding. It sold steel products of US\$29,812 to a minority shareholder, 上海浩鋼工貿有限公司 (unofficial English translation being Shanghai Hao Gang Trading Co., Ltd., “上海浩鋼”) which was incorporated in the PRC and is engaged in distribution and sale of steel products in the PRC. Before June 2009, Qianghua (Shanghai) was 80% owned by the Group and 20% owned by 上海浩鋼.
- (g) Qianghua (Shanghai) purchased steel products of US\$257,205 from 上海浩鋼.
- (h) This transaction is divided into 2 parts:
- (I) Novo Steel (HK) paid US\$242,408 for leasing warehouses located at Tuen Mun, Hong Kong from Great Success Development Limited (“Great Success”), which was incorporated in Hong Kong and is engaged in provision of warehouse services. The rental is charged on the basis of volume of steel products kept at the godown and the related handling charges of HK\$19 (approximately equivalent to US\$2) per tonne per month. The term of the lease is from 1 March 2010 to 28 February 2012.

Novo Steel (HK) is 51% owned by the Group and 49% owned by Thomson Steel. Thomson Steel is 60% owned by Mr. Lee. Great Success is wholly owned by Mr. Lee and his spouse.

- (II) Novo Steel (HK) paid US\$14,743 warehouse rental charges to Globe Star Steel for temporary leasing public godown. The charge is on actual reimbursement basis.

This transaction falls into the definition of connected transactions under the Listing Rules which are disclosed in detail in the section headed “Connected transactions” in this document.

- (i) Novo Steel (HK) paid rental charges for leasing an office located at Wanchai, Hong Kong, to Smart Pacific Trading Limited (“Smart Pacific”), which was incorporated in Hong Kong and is engaged in investment. The monthly rental is charged at HK\$9,000 (inclusive of management fee, government rent and rates) (equivalent to US\$1,154). The term of the lease is from 1 August 2009 to 31 July 2011.

Novo Steel (HK) is 51% owned by the Group and 49% owned by Thomson Steel the latter of which is 60% owned by Mr. Lee. Smart Pacific is wholly owned by Mr. Lee and his spouse.

This transaction falls into the definition of connected transactions under the Listing Rules which are disclosed in detail in the section headed “Connected transactions” in this document.

FINANCIAL INFORMATION

- (j) Qianghua (Shanghai) sold and purchased steel products to and from Shanghai CRQ.
- (k) A subsidiary, EBP, which was incorporated in Singapore and is engaged in time chartering and voyage chartering, received vessels rental income and paid vessels rental charges to Oscar Maritime Private Company (“Oscar Maritime Private”), which was a company incorporated in Seychelles and is principally engaged in chartering and operating of vessels. No more such kind of transactions occurred following the expiry of the time charter agreements in April 2010.
- (l) Novo HK paid US\$3,590 to a Director, Mr. Yu, for acquisition of a second hand motor vehicle. This was a one-off transaction.
- (m) EBP charged other operating income, such as compensation and ballast bonus, to Oscar Maritime Private. No more such kind of transactions occurred following the expiry of the time charter agreements in April 2010.
- (D) Other than remuneration paid to key management personnel, the details of other related party transactions for 1QFY2011 are summarised as below:

	<i>Note</i>	1QFY2011 <i>US\$</i>
Sales of goods to related parties	<i>(a)</i>	1,661,263
Purchase of goods from a related party	<i>(b)</i>	6,922,695
Warehouse rental charges paid to related parties	<i>(c)</i>	193,882
Office rental charges paid to a related party	<i>(d)</i>	3,462
L/C agency fees to a related party	<i>(e)</i>	72,923

- (a) Novo Steel (HK) sold steel products to Globe Star Steel and Thomson Steel of US\$1,611,631 and US\$49,632 respectively.
- (b) Novo Steel (HK) purchased steel products from Globe Star Steel of US\$6,922,695.
- (c) Novo Steel (HK) paid warehouse rental charges to Great Success and Globe Star Steel of US\$188,902 and US\$4,980 respectively.
- (d) Novo Steel (HK) paid rental charges for leasing an office of US\$3,462 to Smart Pacific.
- (e) Novo Steel (HK) paid charges of US\$72,923 to Globe Star Steel for handling and arranging letters of credit. The charge rate was US\$10.13 per tonne of actual quantity shipped.

FINANCIAL INFORMATION

During the Track Record Period, under the consolidated balance sheets, the non-trade balances due from associated companies and a minority shareholder of the Group are summarised as follows.

	<i>Note</i>	At 30 April			As at
		2008	2009	2010	31 July
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	2010
					<i>US\$</i>
Associated companies					
– Novostal Pte. Ltd.	<i>(a)</i>	–	–	1,412,301	1,412,302
– Rico Group Ltd	<i>(b)</i>	601,201	605,210	606,158	606,158
– Iron And Steel Resources Limited	<i>(c)</i>	67,622	82,469	–	–
– Novostal Limited	<i>(d)</i>	46,253	–	–	–
		<u>715,076</u>	<u>687,679</u>	<u>2,018,459</u>	<u>2,018,460</u>
Minority shareholder					
– Shanghai CRQ	<i>(e)</i>	–	–	1,156,044	1,622,360

The occurrence of these balances arose from the Group's payment of expenses on behalf of the associated companies together with cash advances or vice versa.

- (a) The balance is yet to be settled as at 31 July 2010. The Group chases settlement of debts regularly. Recently, Novostal Pte. Ltd. has agreed verbally to settle more than half of debts owing to the Group on or before 31 December 2010, and the remaining on or before the mid of 2011. The settlement agreement is expected to be signed before the Listing.
- (b) The balance is yet to be settled as at 31 July 2010. This was because substantial part of the debt represented cash advanced by the Group for investment in an associated company, Novostal Limited. The debt will be settled via contra accounts against the future dividend being received from Novostal Limited.
- (c) The balance had been classified as other receivable when the Group disposed of its equity interest in Iron And Steel Resources Limited on 30 April 2010. The balance is yet to be settled as at 31 July 2010, and the Group chases settlement of debts regularly.
- (d) The balance had been fully settled during FY2009.
- (e) The balance had been fully settled prior to the Latest Practicable Date.

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Included in the trade and other payables is certain non-trade balances due to associated companies, directors and a minority shareholder of the Group and are summarised as follows. These balances arose from payment of expenses on behalf of the Group together with cash advances or vice versa.

		At 30 April			At
		2008	2009	2010	31 July
	<i>Note</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Associated companies					
– Novostal Limited	<i>(a)</i>	1,877	120,645	–	216,207
– Iron And Steel Resources Limited	<i>(b)</i>	577	5,514	–	–
– Novostal Pte. Ltd.	<i>(c)</i>	57,880	–	–	–
		<u>60,334</u>	<u>126,159</u>	<u>–</u>	<u>216,207</u>

- (a) The balance had been fully settled as at the Latest Practicable Date.
- (b) The balance had been offset against with debt due from Iron And Steel Resources Limited (“ISRL”) when the Group disposed of its equity interest in ISRL on 30 April 2010.
- (c) The balance had been fully settled during FY2009.

		At 30 April			At 31 July
		2008	2009	2010	2010
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Directors					
– Yu Wing Keung Dicky		110,325	–	516,773	–
– Chow Kin Wa		15,950	–	221,474	–
		<u>126,275</u>	<u>–</u>	<u>738,247</u>	<u>–</u>

The whole of balances due to the Directors as at 30 April 2008 were fully settled during FY2009. The whole balances of due to the Directors as at 30 April 2010 were fully settled on or before 31 July 2010.

The balance due to a minority shareholder of US\$402,000 as at 30 April 2010 represented cash contributed by Oscar Maritime International Limited by way of shareholder’s loan on a proportionate basis for the working capital purpose. The balance is expected to be settled when EBP has surplus cash for repayment of the advances made by its shareholders.

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The Group did not give any guarantee to the associated companies during the Track Record Period. The Company has issued corporate guarantee to bankers in respect of banking facilities granted to certain subsidiaries as at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010. Certain subsidiaries have issued corporate cross guarantees to bankers in respect of banking facilities granted to the fellow subsidiaries during the Track Record Period.

STATEMENT OF INDEBTEDNESS

The Group has only secured borrowings and bills payables as at the relevant balance sheet date during the Track Record Period and as at 30 September 2010 as set forth below:

	As at 30 April 2008 US\$	As at 30 April 2009 US\$	As at 30 April 2010 US\$	As at 31 July 2010 US\$	As at 30 September 2010 US\$
Non-current					
Bank borrowings	303,483	–	2,600,468	2,512,421	2,451,495
	303,483	–	2,600,468	2,512,421	2,451,495
Current					
Bank borrowings	4,331,436	–	11,304,614	16,396,111	15,203,142
Bills payables	28,070,530	18,870,360	2,776,683	582,151	2,095,421
	32,401,966	18,870,360	14,081,297	16,978,262	17,298,563
Total:	<u>32,705,449</u>	<u>18,870,360</u>	<u>16,681,765</u>	<u>19,490,683</u>	<u>19,750,058</u>

As set forth above, at the close of business on 30 September 2010, being the latest practicable date in relation to this indebtedness statement prior to the printing of this document, the Group had total debts of approximately US\$19.8 million.

The Group's bank borrowings decreased to nil as at 30 April 2009 from approximately US\$4.6 million as at 30 April 2008 due to the full repayment of the Group's bank borrowings during FY2009, and increased to approximately US\$13.9 million as at 30 April 2010 which was used for financing the acquisition of the office premises situated in Hong Kong and the Group's domestic trading and distribution. The Group's bank borrowings increased further to approximately US\$18.9 million as at 31 July 2010 mainly due to the additional bank loans and inventory loans which offset partially the decrease in trust receipt loans.

The Group's bills payables decreased from approximately US\$28.1 million as at 30 April 2008 to approximately US\$18.9 million as at 30 April 2009 which was in line with the decrease in cost of sales at the end of FY2009, and further decreased to approximately US\$2.8 million as at 30 April 2010 which was in line with the decrease in cost of sales at the end of FY2010. The Group's bills payables decreased to approximately US\$0.6 million as at 31 July 2010 due to the fact that the new suppliers of the Group requested the Group to settle the purchases on cash-on-delivery basis during 1QFY2011. The Group's bills payables increased to approximately US\$2.1 million as at 30 September 2010 mainly due to the resumption of trading activities of Novo CPL during the period.

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Besides, as at the close of business on 30 September 2010, the Group had contingent liabilities of approximately US\$338.0 million, capital commitments of approximately US\$1.2 million and a pledge of assets balance of approximately US\$24.1 million, comprising of approximately US\$5.6 million in leasehold land and buildings, approximately US\$4.6 million in inventories, approximately US\$10.2 million in trade and bills receivables and approximately US\$3.7 million in cash and cash equivalents.

Save as aforesaid or otherwise disclosed elsewhere, as at the close of business on 30 September 2010, the Group did not have any outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material adverse change to the indebtedness statement of the Group as stated above since 30 September 2010.

DIVIDEND POLICY

The payment and the amount of dividends will be at the discretion of the Directors and will depend on the Group's future operations and earnings, capital requirements and surplus, general financial conditions and other factors which the Directors consider to be relevant.

The Group currently does not have a fixed dividend policy. While the Group intends to make dividends payment in the future, the form, frequency and amount of future dividends on the Shares will depend on the level of cash and retained earnings, the results of operations, the capital expenditure requirements, the expansion and/or investment plans and other factors that the Directors may deem appropriate. There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future.

Dividend declared during FY2008 amounted to US\$4 million. Dividend declared for FY2009 amounted to approximately US\$2.1 million and such dividend was paid during FY2010. During FY2010, the Company declared and paid interim dividend of approximately US\$2.1 million and a final dividend of approximately US\$2.5 million was also declared, which was approved at the annual general meeting of the Company held on 27 August 2010. As at the Latest Practicable Date, all of the abovementioned dividends have been fully paid.

As advised by the Company's legal advisers as to Singapore laws, PRC laws, UAE laws and India laws, dividends of the Company's subsidiaries incorporated or established in these jurisdictions shall only be paid out of the companies' profits. In particular, for the Group's subsidiaries established under PRC laws, the dividends shall only be paid out of the accumulated distributable profits after recovering its accumulated losses and provision for the various statutorily required reserve funds.

FINANCIAL INFORMATION

WORKING CAPITAL

The Directors confirm that the Group has sufficient working capital for its requirements for at least the next 12 months from the date of publication of this document, taking into account the available banking facilities and cash flows from operations.

NO INTERRUPTION

The Directors confirm that there was no interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months prior to the Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION

As at the Latest Practicable Date, the Group owned and occupied Units 9, 10 and 11 on 11th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong (“HK Owned Property”) for office use and the Group also owned the land use rights of a piece of industrial land located in West District, Tianjin Economic-Technological Development Area, Tianjin, the PRC (“PRC Owned Property”) for future development purpose.

In addition, as at the Latest Practicable Date, the Group also leased a number of properties in Hong Kong and overseas, details of which are set out in the valuation report set forth in Appendix II to this document. As set out in the section headed “Risk factors”, some of the leases entered into by the Group in the PRC have not been registered with the relevant authorities. As a result, the Group might have to relocate its offices elsewhere. However, the Group expects the expenses to be incurred in relocation or disruption in business operation to be minimal to the Group because these premises are used by the Group as office premises. The Group may also consider to relocate its office premises to other properties if the Group’s right to occupy the properties are being challenged.

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the property interests of the Group as at 30 September 2010 and is of the opinion that as at 30 September 2010, the value of the HK Owned Property was HK\$53.0 million and the PRC Owned Property was RMB13.0 million. There is a net revaluation surplus, representing the excess market value of the properties over their book value as at 31 July 2010. The full text of the letter, summary of the values and valuation certificates with regard to such property interests are set forth in Appendix II to this document.

FINANCIAL INFORMATION

A reconciliation of the carrying amount of the relevant property interest, as at 31 July 2010, to market value as at 30 September 2010 as stated in the property valuation report set forth in Appendix II to this document is as follows:

	US\$
Carrying amount of the Group's property interest as at 31 July 2010	6,778,264
Carrying amount of the Group's construction in progress as at 31 July 2010	480,687
Less: Depreciation for the period from 1 August 2010 to 30 September 2010	25,680
Add: Additions of construction in progress for the period from 1 August 2010 to 30 September 2010	649,812
Add: Exchange realignment	<u>20,809</u>
Carrying amount as at 30 September 2010	7,903,892
Valuation surplus	<u>837,080</u>
Valuation as at 30 September 2010 as per the valuation report set forth in Appendix II to this document (the translation into US\$ of the aggregate of HK\$53.0 million and RMB13.0 million)	<u><u>8,740,972</u></u>

NET TANGIBLE ASSETS

The following statement shows the consolidated net tangible assets attributable to equity holders of the Company as at 31 July 2010 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this document.

Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 July 2010	US\$61,711,907
Audited net tangible asset value per Pre-consolidated Share (<i>Note 1</i>)	approximately US\$0.09 (<i>Note 2</i>)

Notes:

1. The audited net tangible asset value per Pre-consolidated Share is calculated on the basis of 683,219,640 Pre-consolidated Shares in issue as at 31 July 2010 and does not take into account the effect of the Share Consolidation because the Share Consolidation had not become effective as at 31 July 2010. Every four Pre-consolidated Shares were consolidated into one Existing Share pursuant to the Share Consolidation which became effective on 15 November 2010.
2. Equivalent to approximately HK\$0.70 (calculated based on the exchange rate of US\$1 to HK\$7.7668).

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at 31 July 2010, the Company had retained earnings of US\$3,922,434 available for distribution to the Shareholders.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Certain members of the Group have obtained banking facilities (“DBS Facility”) from DBS Bank (Hong Kong) Limited (“DBS Bank”) for a facility limit of up to US\$45,000,000 for general working capital purpose. The DBS Facility is not for a fixed term and is repayable on demand.

As required under the DBS Facility, Mr. Yu and Mr. Chow have executed a letter of undertaking in favour of DBS Bank whereby they have undertaken to DBS Bank that they would maintain minimum 50% interest in the Company. Each of Mr. Yu and Mr. Chow is one of the Controlling Shareholders.

Certain members of the Group have obtained banking facility (“CCB Facility”) from China Construction Bank (Asia) Corporation Limited (“CCB Bank”) for two facilities, i.e., a term loan of HK\$23,336,600 and other facilities for general working capital purposes at US\$5,000,000. The term loan is repayable within 8 years from 2010 and the other facilities are not for fixed term and are repayable on demand.

As required under the CCB Facility, Mr. Yu and Mr. Chow shall directly or indirectly hold not less than 51% interest in the Company, not less than 100% and 51% interest in the two borrowers respectively and the two borrowers shall be under the management of Mr. Yu and Mr. Chow.

Terms for granting such banking facilities to the Group include specific performance obligations on certain Controlling Shareholders and are discloseable under Rule 13.18 of the Listing Rules.

ONGOING DISCLOSURE OF INFORMATION OF THE COMPANY

The Company confirms that, as at the Latest Practicable Date, save as disclosed under the paragraph headed “Disclosure under Rules 13.13 to 13.19 of the Listing Rules” above, the Group is not aware of any circumstances that would give rise to disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIRECTORS’ CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company and its subsidiaries since 31 July 2010, the date on which the latest audited consolidated financial statements of the Group were made up.

FUTURE PLANS

FUTURE PLANS

The Group has the following growth and expansion plans:

(A) Engage in steel processing business in the PRC

The Group plans to expand its business to steel processing in the PRC.

To this goal, in September 2009, the Group, through its wholly-owned subsidiary, Novo (TJ), acquired a piece of land of 25,000 square meters in Tianjin Economic Technological Development Area Western District. The Group plans to develop a steel processing centre on the land which is expected to handle 100,000 tonnes hot-rolled coil and 100,000 tonnes cold-rolled coil to be cut, slitted and packed for distribution for local market. The construction of the steel processing centre was commenced on 9 July 2010 and, together with the installation of equipment, are expected to complete within first half of 2011.

Funding of the project

The Group expects to incur a total amount of approximately US\$4,309,000 as capital expenditure for the project.

Breakdown of the capital expenditure is set out below:

	Used up to the Latest Practicable Date (Approximate US\$'000)	Planned to be used from the Latest Practicable Date to 30 November 2011 (Approximate US\$'000)	Total (Approximate US\$'000)
Capital expenditure (including land cost, equipment and construction expenses)	<u>2,945</u>	<u>1,366</u>	<u>4,311</u>

As at the Latest Practicable Date, the Group has contracted to spend approximately US\$2,448,000 as its capital expenditure.

FUTURE PLANS

Registered capital of Novo (TJ)

The approved total investment of Novo (TJ) is US\$17,100,000. The registered capital of Novo (TJ) is US\$8,570,000 (equivalent to approximately RMB58.6 million), of which, (i) US\$3,785,961.3 (equivalent to approximately RMB25.9 million) had been paid up as at the Latest Practicable Date; and (ii) US\$4,784,038.7 (equivalent to approximately RMB32.7 million) will be paid up before 21 January 2011 in accordance with the time frame set out in the articles of Novo (TJ). The Group has funded and will fund the contribution of the registered capital of Novo (TJ) by its internal resources.

Overview of steel processing and distribution industry in the PRC

Steel processing and distribution is an important part in steel logistics industry. Most of steel must be processed before they can be applied to produce the end-products. End-users of processed steel materials in PRC are manufacturers of automobiles, household appliances, electrical equipment, etc.

Steel plants and steel trading companies are the two major types of market players. Steel plants operating steel processing and distribution could extend their products supply chains to end-users. Trading companies operating steel processing and distribution could create value-added processing and distribution services to better meet customers' needs while at the same time increase their profitability and efficiency.

The Group's target customers of steel processing in the PRC are end-users of hot rolled steel coil, cold rolled coils, galvanized steel, tinplate and pre-painted colour coils, which may include steel pipe makers, can makers, fabricators, contractors, processors in automobile industries, electric appliances, packaging industries, etc.

Status of the project

On 5 July 2010, Novo (TJ) obtained a construction permit and a registration certificate of construction project quality supervision issued by the Construction Project Administration Center of Tianjin Economic Technological Development Area in respect of phase 1 construction of the steel processing project. On 9 July 2010, Novo (TJ) commenced phase 1 of construction work of the abovementioned steel processing plant. The construction of the plant and installation of equipment is expected to complete within the first half of 2011. Thereafter, there will be a period for recruitment and training and equipment testing before operation which is expected to commence by the end of 2011.

FUTURE PLANS

Approval required

Novo (TJ) is planned to engage in the steel processing and sale of processed steel in the PRC (“Steel Processing Business”). As advised by the Company’s legal advisers as to the PRC laws, other than the approvals required for the establishment of Novo (TJ) and the approvals for the construction of the processing centre, there is no other approval specifically applicable to Novo (TJ) for engaging in the Steel Processing Business. As at the Latest Practicable Date, Novo (TJ) has obtained all necessary approvals for its establishment and the necessary approvals according to the progress of the construction of the processing centre.

Financial effects of the project

It is expected that upon the project coming into operation which is currently expected to be by the end of 2011, it can increase the revenue of the Group.

Deployment of human resources

The Group has appointed a general manager in charge of the project who is responsible for overseeing the execution of the project from preparing feasibility studies to putting the project into operation. The general manager has 17 years of experience in project management for construction of steel products plants, machinery installation, technology transformation and steel trading. Before working in the steel industry, he also had 16 years of experience in factory designing. The general manager has joined the Group in 2008 responsible for the Group’s domestic steel trading in the PRC. He is currently also responsible for overseeing the steel processing project. After the completion of the construction of the factory, the respective operational departments will be set up mainly through open recruitment. The Group would also arrange for the recruitment of general clerical staff and technical staff. Steel processing is a relatively low-technology and low pollution industry and does not require highly-skilled and trained labour. In general, all the operational departments (including trading, accounting and trade finance departments) will be reporting to the Hong Kong head office so that the daily operational activities are monitored and supervised by both the local direct supervisor as well as Hong Kong functional heads.

(B) Engage in scrap steel processing business in the PRC

Leveraging on the capability and experience in sourcing scrap steel, the Group plans to expand its business to scrap steel processing business in the PRC.

As detailed in the Company’s announcement dated 7 May 2010 published on SGX-ST, Global Wealth TL, a wholly owned subsidiary of the Company, had signed a legally binding MOU with Mr. Lin, Select Best, a company incorporated in BVI, and Wealthy Dragon Investments Limited (“Wealthy Dragon”), a company incorporated in

FUTURE PLANS

Hong Kong, both companies are controlled by Mr. Lin, whereby the Group was offered the first right of refusal to subscribe for or acquire the Sale Shares, being up to 60% of equity interest in Select Best and/or Wealthy Dragon, being the respective ultimate and intermediate investment holding company of the operating company known as Taizhou Long Feng, which will be undertaking the proposed scrap steel processing project (“Taizhou Project”) in the PRC.

Background leading to the signing of the MOU

Mr. Lin has extensive experience in handling import and export, sales of steel and logistics, scrap steel processing, production, trading, logistics and distribution of steel products. He holds interests in 上海玲通貿易有限公司 (unofficial translation as Shanghai Lintong Trade Co Ltd) (a company established in 2000 and engaged in the manufacture and sale of steel products) and 無錫前興鋼鐵有限公司 (unofficial translation as Wuxi Qian Xing Iron & Steel Co. Ltd) (a company established in 2002 and engaged in, among other things, the sale of steel products). He invited the Group to invest in the Taizhou Project jointly with him as he considered the Group a suitable partner for investing in scrap processing for the following reasons: the Group has core experience in global steel trading and distribution and strong networks with PRC and overseas steel mills for the supply of raw materials for scrap steel processing, the Group’s established relationships with banks and financiers for assisting in sourcing of finance, the Group’s network of customers which could be potential customers for the scrap steel processing plant, as well as the Group’s familiarity with the entire supply chain of steel production and raw materials, semi-finished and finished products. The Group considered this as a good opportunity to expand into scrap steel processing if favourable terms for investment could be obtained from the local government. Mr. Lin and the Directors, Mr. Yu and Mr. Chow Kin Wa, have known each other for more than 10 years in previous business dealings in the steel trading business before they founded the Group and Mr. Lin’s companies have been the Group’s suppliers and the total amount of purchases from these companies during the Track Record Period was approximately US\$16.4 million.

Scale of Taizhou Project

The planned investment scale of the Taizhou Project (subject to market conditions) will primarily involve the construction of a scrap steel processing plant and distribution centre, two ports/public piers (each with handling capacity of 50,000 metric tonnes deadweight vessel) and a steel logistics, processing, cutting and distribution centre as well as engaging in iron ore trading business. The scrap steel processing plant will handle scrap steel processing, cutting and slitting of steel products and is expected to have an initial annual production capacity of one million tons of steel products. Barring unforeseen circumstances, the scrap steel processing plant is expected to commence production in 2012 on the assumption that approval of use of land, approval of construction site, incentives and other supporting facilities as well as all necessary import licence, processing licence and trading licence for steel scrap are obtained on time.

FUTURE PLANS

Registered capital of Taizhou Long Feng

The registered capital of Taizhou Long Feng is US\$30 million (equivalent to approximately RMB205.2 million). If the Group exercises the first right of refusal to subscribe for or acquire the Sales Shares, the Group will be indirectly interested in 60% of Taizhou Long Feng and will be responsible for paying up 60% of the registered capital of Taizhou Long Feng (i.e. US\$18,000,000). The Group plans to fund the investment cost in Taizhou Project by its internal resources. As at the Latest Practicable Date, the Group had not exercised the first right of refusal and had not injected any capital in Taizhou Long Feng.

Funding of the Taizhou Project

The Group expects to incur a total amount of approximately RMB200 million or capital expenditures for the project.

Breakdown of the capital expenditure is summarized below:

Total estimated capital expenditure:	Approximately RMB200 million, among which <ul style="list-style-type: none">– RMB50 million will be invested in acquiring the land;– RMB100 million will be invested in constructing the scrap processing plant; and– RMB50 million for miscellaneous expenditures
Capital expenditure incurred up to the Latest Practicable Date:	Nil
Estimated capital expenditure expected to be incurred:	Approximately RMB200 million (which is expected to be incurred after 30 November 2011)
Funding of capital expenditure:	Bank borrowings and internal resources

As at the Latest Practicable Date, the Group has not contracted to spend any capital expenditure.

As at the Latest Practicable Date, the Group has not yet obtained any banking facilities specifically for funding the Taizhou Project.

FUTURE PLANS

The Group's participation in the Taizhou Project

The Group would be responsible to invest up to 60% of the Taizhou Project. The registered capital of Taizhou Long Feng is US\$30 million, which would be contributed by the Group and Mr. Lin according to their respective shareholding in Select Best and/or Wealthy Dragon after the Group exercises the right of first refusal and subscribe for 60% equity interest in Select Best and/or Wealthy Dragon.

The principal terms for the subscription of up to 60% of the equity in Select Best and/or Wealthy Dragon are as follows:

- (a) the consideration for the subscription or purchase of the Sale Shares shall be US\$6, which is the par value of the Sale Shares to be paid by cash;
- (b) Select Best and Wealthy Dragon will be responsible for completing the relevant procedures for the acquisition of lands, and, at their own costs, obtaining the relevant approvals for and completing the construction works in the Taizhou Project, coordinating and building relations with the relevant local governmental departments and promptly resolve any dispute arises during the course of investing in the Taizhou Project;
- (c) Mr. Lin will contribute his knowledge, experience and expertise in operating re-rolling steel mills, scrap steel processing and trading and his strong connections in the PRC in this field; and
- (d) the Company will be responsible for providing market information, investment plans, design of facilities and staff arrangement for the Taizhou Project and arranging for fixed assets investment and developing channels for financing (not including the registered capital).

Currently, the Company has not exercised the first right of refusal to subscribe for or acquire the Sale Shares as the mode and terms of investment in the Taizhou Project are currently still under discussion with the local governmental authorities. Accordingly, the Group has not yet incurred any cost in the Taizhou Project. The Group plans that all the capital expenditures of Taizhou Project, which is currently expected to be approximately RMB200 million, will be funded through internal resources and bank borrowings. After the Company has exercised the first right of refusal and thereby becomes a shareholder of Select Best and/or Wealthy Dragon, the Company will cooperate with Mr. Lin to procure Taizhou Long Feng to complete the relevant procedures for implementing the Taizhou Project. According to the MOU, there is no time limit for the Group to exercise the right of first refusal for the subscription of up to 60% of the equity in Select Best and/or Wealthy Dragon. The Board has obtained shareholders' approval on exercising the first right of refusal at the extraordinary general meeting held on 27 August 2010.

FUTURE PLANS

Status of Taizhou Project

Mr. Lin has obtained a letter of approval in principle from the local authority of the PRC to indicate that the 500 metres long Yangtze River coastal line together with 500 mu (approximately 333,000 sq.m.) of surrounding land will be reserved to Taizhou Long Feng. A scrap processing plant and a steel logistics and processing and distribution plant for scrap processing, cutting and slitting of steel products and two public piers each with handling capacity of 50,000 metric tonnes deadweight vessel will be constructed on the land reserved. The construction of the scrap and steel processing plants and the two public piers are expected to be commenced in early 2012. Barring unforeseen circumstances, it is expected that the plant will commence its production in 2012 and shall have an annual production capacity of approximately 1 million tonnes of steel scraps/products.

To facilitate the operation of the scrap and steel processing plants, two public piers which are able to handle 50,000 metric tonnes deadweight vessel of iron ores and steel products to be transported will be built. The warehousing facilities that form part of the Taizhou Project will also serve to store the raw materials for the processing of the scrap steel (such as scrap steel), as well as the end products of the scrap steel processing plant.

Taizhou Long Feng was incorporated on 28 July 2010 as a wholly foreign owned enterprise with registered capital of US\$30 million. Taizhou Long Feng has not yet commenced business operation, and the Group and Mr. Lin have not yet injected any capital into it.

Select Best is a private limited liability company incorporated under BVI laws on 11 February 2010 with an issued and paid-up share capital of US\$10 and the sole shareholder is Mr. Lin. Select Best currently owns 100% equity interest in Wealthy Dragon, a limited liability company incorporated in Hong Kong on 25 February 2010 with an issued and paid-up share capital of HK\$1. Both Select Best and Wealthy Dragon have not yet commenced any business operation since their incorporation.

Target customers of Taizhou Project

As a start, the Taizhou Project will serve electric furnace manufacturers, ship-destruction business and logistics of scrap processing in Jiangsu Province, PRC by consuming the scrap steel generated by them and producing useful steel products for sale to other users. As the production of the steel products in the scrap steel processing plant grows, the Group intends to expand the geographical coverage of its sales and marketing activities to potential customers in Hebei, Guangdong and Hubei provinces of the PRC.

FUTURE PLANS

Approval required

As advised by the Company's legal advisers as to the PRC laws, the entity that is operating scrap steel processing business shall obtain relevant governmental approvals or licenses or permits, including, among others, the business licenses, approval certificate of foreign invested enterprise, foreign exchange registration certificate, tax registration certificate, registration certificate for foreign trade operators, automatic import/export permit and approvals from National Development and Reform Commission's local office and local environmental protection bureau.

As the Group has not been engaged in the scrap steel processing business as at the Latest Practicable Date, it is not necessary for the Group to obtain any of the abovementioned governmental approvals, licenses or approvals.

Financial effects of Taizhou Project

It is expected that upon Taizhou Project coming into operation, which is expected to be in 2012, it can increase the revenue of the Group.

Deployment of human resources

At present, Mr. Lin is responsible for overseeing the execution of Taizhou Project to put it into operation. After the completion of the construction of the factory, the respective operational departments will be set up mainly through open recruitment. According to the current business plan, Taizhou Long Feng would need to hire one general manager, two vice general managers to oversee the sales and marketing, purchase and production as well as finance, administration and human resources matters of the company. Other management staff would include factory manager, human resources and administration manager, sales and marketing manager and finance manager. Other labour skills required would be general clerical staff and technical staff. Scrap steel processing is a relatively low-technology and low pollution industry and does not require highly skilled and trained labour. In general, all the operational departments (including trading, accounting and trade finance departments) will be reporting to the Hong Kong head office so that the daily operational activities are monitored and supervised by both the local direct supervisor as well as Hong Kong functional heads.

FUTURE PLANS

(C) Engage in warehousing business in the PRC

Leveraging on the Group's experience in trading and logistics arrangement in steel products, the Group plans to participate in minerals logistics and warehousing business in the PRC. The Group is undertaking feasibility study in the project and is only at a preliminary stage in identifying possible locations in the PRC for the warehousing business.

Save as disclosed above, as at the Latest Practicable Date, the Group did not have any other expansion plan and investment in progress.

IMPACTS ON THE GROUP'S PROFITABILITY/WORKING CAPITAL

It is expected that the steel processing and scrap steel processing business would have higher profit margins than steel trading business and thereby would improve the Group's overall profitability.

As stated above, working capital for the Tianjin Project after it comes into operation is expected to be funded by internal resources and bank borrowing, and the working capital for the Taizhou Project is expected to be funded by internal resources. As such, the Directors expect that the expansion plans would not have significant impact on the working capital structure of the Group.

Tianjin Project is expected to commence operation by the end of 2011 and the Taizhou Project is expected to commence operation in the fourth quarter of 2011 or early 2012. As at the Latest Practicable Date, the Company is still under negotiation with relevant governmental bodies in respect of the possible operation models for each of the Tianjin Project and the Taizhou Project and no concrete business plans have been finalised.

According to the Company's current plan, Novo (TJ) and Taizhou Long Feng would engage in processing supplied materials (“來料加工”), under which, Novo (TJ) and Taizhou Long Feng, as processors, would receive processing fees by processing materials supplied by customers who are responsible for selling the finished products. As such, the Directors expect that Novo (TJ) and Taizhou Long Feng would require additional working capital to cater for costs and expenses that are necessary for routine business operations such as staff cost, water and electricity facilities.

BUSINESS RISK PROFILE OF THE EXPANSION PLANS

The Directors believe that the expansion plans would benefit the Group to hedge its existing business risks through vertical integration as these new business segments are in the upstream and downstream industry of steel trading business which the Group is currently engaged in. On the other hand, such expansion plans are expected to expose the Group to additional business risks, details of which are set forth in the section headed “Risks Factors” in this document.

FUTURE PLANS

MANAGING THE GROUP'S EXPANDING TERRITORIES

Procurement of raw materials

In order to ensure the continuity of supplies of raw materials and consistency of raw materials qualities, the Group would strive to enter into yearly-based long term supply contracts by utilizing the existing relationships with suppliers, in addition to quarterly, monthly or spot supply contracts which would specify the detailed terms of each particular shipment such as quantity, price and shipping terms.

Procurement of sales orders

The Group would utilize its existing network of customers and would strive to enter into yearly-based long term sales contracts with major customers with a target volume specified and prices subject to negotiation on a monthly basis. The Group would also enter into quarterly, monthly and spot contracts with other customers.

Control of credit risks

The Group would closely monitor the ageing reports of receivables prepared by its designated accounting clerks, including incidents of overdue payment of specific customers and the total overdue amounts by customers generally. Those ageing reports would trigger notices to customers promptly upon occurrence and continuance of overdue and would freeze the business accounts of those customers if payments are not settled within a prescribed extended period of time.

Control of product qualities

The Group would hire industrial professionals to design and specify product specifications according to customers' requirements and various tests would be performed on the finished products to ensure the physical and mechanical properties of products could meet customers' requirements.

As disclosed in the second quarter financial statements and dividend announcement of the Company dated 7 December 2009, the Group had business plans to invest in coal and iron ore mines which were undergoing feasibility studies at the time of the announcement. However, as at the Latest Practicable Date, the Group had not yet formed any concrete plans in such investment. Notwithstanding that, it is still the Group's strategy to continue to look for business expansion and investment opportunities both upstream and downstream. As detailed in the section headed "Future plans" in this document, the Group's expansion and investment in upstream and downstream industry are currently in progress.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

1. LISTINGS

The Company currently has a primary listing of Shares on the SGX-ST, which it intends to maintain alongside its proposed dual primary listing of Shares on the Hong Kong Stock Exchange.

2. REGISTRATION

The principal register of members is maintained in Singapore by Boardroom Corporate & Advisory Services Pte Ltd (“Singapore Principal Registrar”) whose address is 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623. The Company has established a branch register of members in Hong Kong which is maintained by Tricor Investor Service Limited (“Hong Kong Branch Registrar”) whose address is 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong.

Certificates in respect of the Shares registered on the Hong Kong Branch Share Register of members will, as far as practicable, and unless otherwise requested, be issued in board lots of 1,000 Shares. The Singapore Principal Registrar will keep in Singapore duplicates of the Hong Kong Branch Share Registers, which will be updated from time to time.

3. CERTIFICATES

Only certificates for Shares issued by the Hong Kong Branch Registrar will be valid for delivery in respect of dealings effected on the Hong Kong Stock Exchange. Only certificates for Shares issued by the Singapore Principal Registrar will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the certificates for Shares issued by the Singapore Principal Registrar are **LIGHT BLUE** in colour. The Share certificates issued by the Hong Kong Branch Registrar will be **PINK** in colour.

4. DEALINGS

Dealings in Shares on the Hong Kong Stock Exchange and SGX-ST will be conducted in Hong Kong dollars and Singapore dollars respectively. The Shares are traded on SGX-ST and will be traded on the Hong Kong Stock Exchange in board lots of 1,000 Shares.

The transaction costs of dealings in the Shares on the Hong Kong Stock Exchange include a Hong Kong Stock Exchange trading fee of 0.005%, an SFC transaction levy of 0.003%, a transfer deed stamp duty of HK\$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the Shares transferred. The brokerage commission in respect of trades of Shares on the Hong Kong Stock Exchange is freely negotiable.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

The brokerage commission in respect of trades of Shares on the SGX-ST is freely negotiable. A clearing fee in Singapore is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600 per transaction. The clearing fee is subject to goods and services tax in Singapore (currently at 7.0%).

5. SETTLEMENT

5.1 Settlement of dealings in Singapore

Shares listed and traded on the SGX-ST are trading under the book-entry settlement system of the CDP and all dealings in and transactions of Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

The CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. The CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with the CDP.

Shares will be registered in the name of the CDP or its nominees and held by the CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with the CDP. Companies Act and the Articles of the Company only recognise the registered owners or holders of the Shares as members. CDP depositors and depository agents on whose behalf CDP holds Shares, may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive Shareholders' circulars, proxy forms, annual reports, prospectuses and take over documents. CDP depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Persons holding Shares in a securities account with the CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with the Articles of the Company. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 (or such other amounts as the Directors may decide) will be payable to share registrar for each share certificate issued, and stamp duty of S\$10.00 is also payable where Shares are withdrawn in the name of the person withdrawing Shares, or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where Shares are withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with the CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of the CDP, and

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have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$20.00 is payable upon the deposit of each instrument of transfer with the CDP.

Transactions in Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fees and share withdrawal fee are subject to Singapore goods and services tax of 7.0%.

Dealings in the Shares will be carried out in Singapore dollars and will be effected for settlement in the CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. The CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with the CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

5.2 Settlement of dealings in Hong Kong

Investors in Hong Kong must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

An investor may arrange with his broker or custodian on a settlement date in respect of his trades executed on the Hong Kong Stock Exchange. Under the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must not be later than the second business day following the trade date on which the settlement services of CCASS are open for use by CCASS Participants (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to a Hong Kong Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

5.3 Dividends

Dividends are declared in Singapore Dollars and will be converted into Hong Kong dollars before being paid to the Shareholders that carried out the trading activities on the Hong Kong Stock Exchange.

5.4 Foreign exchange risk

Investors in Singapore who trade in the Shares on the SGX-ST should note that their trades will be effected in Singapore dollars. Investors in Hong Kong who trade in the Shares on the Hong Kong Stock Exchange should note that their trades will be effected in Hong Kong dollars. Accordingly, investors should be aware of the foreign exchange risks associated with such trading if they are buying and selling in different stock exchanges under different jurisdictions.

5.5 Transfer of Shares

All duties, fees and expenses specified herein are subject to changes from time to time.

5.6 Removal of Shares

Currently, all the Shares are registered on the Singapore Principal Share Register. For the purpose of trading on the Hong Kong Stock Exchange, the Shares must be registered on the Hong Kong Branch Share Register. Shares may be transferred between the Singapore Principal Share Register and the Hong Kong Branch Share Register. An investor who wishes to trade on the SGX-ST must have his/her Shares registered on the Singapore Principal Share Register and an investor who wishes to trade on the Hong Kong Stock Exchange must have his/her Shares registered on the Hong Kong Branch Share Register by removing them from the Singapore Principal Share Register to the Hong Kong Branch Share Register. A resolution has been passed by the Directors authorizing the removal of Shares between the Singapore Principal Share Register and the Hong Kong Branch Share Register as may from time to time be requested by the members of the Company.

5.7 From Singapore Principal Share Register to Hong Kong Branch Share Register

If an investor whose Shares are traded on the SGX-ST wishes to trade his/her Shares on the Hong Kong Stock Exchange, he/she must effect a removal of the Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register.

A removal of the Shares from the Singapore Principal Share Register to the Hong Kong Branch Share Register involves the following procedures:

- (1) If the investor's Shares have been deposited with CDP, the investor must first withdraw his Shares from CDP by submitting (i) Withdrawal Request Form (CDP Form 3.1 – available from CDP); (ii) transfer form; (iii) Certificate of Stamp Duty and (iv) a bank draft for the amount as prescribed by CDP from time to time.

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- (2) The investor shall complete a removal request form (in duplicate) obtained from the Singapore Principal Registrar and submit the removal request form (in duplicate) together with a bank draft for the amount as prescribed by the Singapore Principal Registrar from time to time to the Singapore Principal Registrar.
- (3) CDP will then send a duly completed transfer form, Certificate of Stamp Duty and the relevant share certificate(s) registered under the name of CDP to the Singapore Principal Registrar directly.
- (4) Upon receipt of the documents referred to above and the relevant payment, the Singapore Principal Registrar shall take all actions necessary to effect the transfer and removal of Shares on the Singapore Principal Share Register. On Completion, the Singapore Principal Registrar shall then notify the Hong Kong Branch Registrar of the removal whereupon the Hong Kong Branch Registrar shall update the Hong Kong Branch Share Register and issue share certificate(s) in the name of the investor and send such share certificate(s) to the address specified by the investor. Despatch of share certificate(s) will be made at the risk and expense of the investor as specified in the removal request form.
- (5) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit the Shares into CCASS for credit to his CCASS investor participant stock account or his designated CCASS Participant's stock account. For deposit of Shares to CCASS or to effect sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong Branch Registrar and deliver it together with his share certificate(s) issued by the Hong Kong Branch Registrar to HKSCC directly if he intends to deposit the Shares into CCASS for credit to his CCASS investor participant stock account or via a CCASS Participant if he wants the Shares to be credited to his designated CCASS Participant's stock account.

Note: Under normal circumstances, steps (1) to (4) generally require 14 business days to complete. Generally, expedited Share removal and transfer services at a turnaround time of approximately ten business days are available at Shareholders' request but are subject to the discretion of the Hong Kong Branch Registrar and are not available during peak operation seasons of the Hong Kong Branch Registrar.

5.8 From Hong Kong Branch Share Register to Singapore Principal Share Register

If an investor whose Shares are traded on the Hong Kong Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of the Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register of members. Such removal and deposit of the Shares would involve the following procedures:

- (1) If the investor's Shares are registered in the investor's own name, the investor shall complete the Combined Share Removal and Transfer Form and Delivery Instruction Form (the "Removal Request Form") available from the Hong Kong Branch

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Registrar (in duplicate) and submit the same together with the share certificate(s) in his name, a bank draft for the amount as prescribed by Singapore Principal Registrar and Hong Kong Branch Registrar from time to time and a bank draft for the amount of deposit fee (where applicable) as prescribed by CDP from time to time, to the Hong Kong Branch Registrar. If the investor's Shares have been deposited with CCASS, the investor must first withdraw such Shares from his CCASS investor participant stock account with CCASS or from the stock account of his designated CCASS Participant and submit the relevant share transfer form(s) executed by HKSCC Nominees Limited, the relevant share certificate(s) and a duly completed Removal Request Form to the Hong Kong Branch Registrar.

- (2) Upon receipt of the Removal Request Form, the relevant share certificate(s) and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees Limited, the Hong Kong Branch Registrar shall take all actions necessary to effect the transfer and the removal of the Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register.
- (3) The Hong Kong Branch Registrar shall then notify the Singapore Principal Registrar of the removal whereupon the Singapore Principal Registrar shall update the Singapore Principal Share Register. Upon completion, the Singapore Principal Registrar shall issue the relevant share certificate(s) in the name of the investor or CDP (where the case may be) for onward transmission to the investor or CDP (where the case may be).
- (4) In accordance with the delivery instruction set out in the Removal Request Form duly completed and signed by the investor, the Singapore Principal Registrar will arrange with CDP to credit the Shares into the investor's securities account with CDP or sub-account with a CDP depository agent. The investor must ensure that he has a securities account in his own name or sub-account with a CDP depository agent before he can complete and sign off on delivery instruction set out in the Removal Request Form.

Note: Under normal circumstances, steps (1) to (3) generally require 15 business days to complete. Generally, expedited Share removal and transfer services at a turnaround time of approximately ten business days are available at Shareholders' request but are subject to the discretion of the Singapore Principal Registrar and are not available during peak operation seasons of the Singapore Principal Registrar.

5.9 Stamp duty

For those Shares which are registered on the Hong Kong Branch Share Register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty. For those Shares which are registered on the Singapore Principal Share Register, any transfer thereof or dealings therein will be subject to Singapore stamp duty.

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5.10 Costs

All costs attributable to the removal of Shares from the Hong Kong Branch Share Register to the Singapore Principal Share Register and any removal from the Singapore Principal Share Register to the Hong Kong Branch Register shall be borne by the Shareholder requesting the removal. In particular, Shareholders should note that the Hong Kong Branch Registrar will charge HK\$350 for each removal of Shares and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) for each Share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. In addition, the Singapore Principal Registrar will charge S\$30.00 for each removal of Shares, a fee of S\$2.00 (plus applicable stamp duties) for each transfer form in respect of transfer of Shares, a fee of S\$2.00 for each Share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. The fees charged by the Singapore Principal Registrar are subject to Singapore goods and services tax (currently at 7%).

5.11 Special arrangements to facilitate transfers prior to the Introduction

Special arrangements have been made to facilitate transfers of Shares prior to the Introduction. In connection with the Introduction, the Singapore Principal Registrar and the Hong Kong Branch Registrar will provide three batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Branch Share Register prior to the Introduction. The key dates in relation to such batch-transfer exercise (the “Batch-Transfer”) are set out below:

Events	First Batch- Transfer	Second Batch- Transfer	Third Batch- Transfer
Final date to submit Request of Withdrawal of Securities Form to CDP and removal request form to the Singapore Principal Registrar	22 November 2010	25 November 2010	1 December 2010
Share certificates available for collection from the Hong Kong Branch Registrar’s office	3 December 2010	7 December 2010	14 December 2010

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Shareholders who hold their Shares directly in CDP and who wish to participate in the Batch-Transfer will need to complete and submit the Request of Withdrawal of Securities Form, together with a bank draft for the amount as prescribed by CDP from time to time, to CDP and the Removal Request Form to the Singapore Principal Registrar before the relevant dates stipulated above.

The Singapore Principal Registrar and the Hong Kong Branch Registrar have agreed to waive their charges to Shareholders in respect of the Batch-Transfer. CDP's existing charges will still apply, together with any other costs to be levied by Shareholders' own brokers, nominees or custodians (where relevant).

The Sponsor has made arrangements to inform the Shareholders and the Singapore investing public of details of the Introduction and the Batch-Transfer procedures.

6. BRIDGING ARRANGEMENTS

6.1 Intended arbitrage activities during the Bridging Period

Upon the Introduction and during the Bridging Period, the Bridging Dealer, on its own account, will seek to undertake arbitrage activities in circumstances as described below. Such arbitrage activities are expected to contribute to the liquidity of trading in the Shares on the Hong Kong market upon the Introduction as well as to reduce potential material divergence between Share prices on the Hong Kong and the Singapore markets:

- (1) The Bridging Dealer will seek to carry out arbitrage trades in line with market practice in the context of dual listed stocks. The arbitrage trades are envisaged to be carried out where there exists a meaningful price differential between prices of Shares quoted on the Hong Kong Stock Exchange and those quoted on the SGX-ST. In relation to the Introduction, it is envisaged that a typical arbitrage trade would be executed if and when prices of Shares quoted on the Hong Kong Stock Exchange are meaningfully higher than those on the SGX-ST, in which case the Bridging Dealer will seek to purchase Shares at the lower price in Singapore and sell Shares at the higher price in Hong Kong.

The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of the Share price. In the Hong Kong context, the typical cost comprises stamp duty (0.1%), trading fee (0.005%) and transaction levy (0.003%) while in the Singapore context, there is a clearing fee (0.04% up to a maximum of S\$600) and trading fee (0.0075%). Nonetheless, as the Bridging Dealer envisages, that for arbitrage trades to occur, the Share price differential would need to exceed such transaction costs and the risk premium as perceived by the Bridging Dealer (including but not limited to factors such as price volatility and market liquidity on both markets).

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The Bridging Dealer intends to carry out arbitrage trades where (a) there exists a meaningful Share price differential between the Hong Kong and Singapore markets (as determined by the Bridging Dealer), and (b) the Bridging Dealer is able to purchase sufficient quantities of Shares to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent. The bridging arrangements and the role of the Bridging Dealer will terminate and cease at the expiry of the Bridging Period.

- (2) For the Bridging Dealer to contribute meaningfully towards liquidity of trading in the Shares on the Hong Kong Stock Exchange, there should be no trading or exchange disruption in or early closure (other than due to different trading hours) of one or both stock exchanges. There should be concurrent availability of Shares on both stock exchanges. The Bridging Dealer has also entered into the Stock Borrowing Agreement to ensure it will have ready access to appropriate quantities of Shares for settlement purposes upon the Introduction and during the Bridging Period.
- (3) There is a Stock Borrowing Agreement between New Page and the Bridging Dealer. Pursuant to the Stock Borrowing Arrangement, New Page shall upon request by the Bridging Dealer lend up to the number of Shares it holds at the time of such request to the Bridging Dealer, on one or more occasions, and an equivalent number of Shares shall be returned to New Page within a specified period after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date), subject to compliance with applicable laws, rules and regulations in Singapore and Hong Kong, and further provided that the lending and the subsequent acceptance of redelivery of any Shares by New Page, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Under the existing requirements of the Takeovers Code and the Singapore Code, the maximum percentage of issued Shares that is subject to the Stock Borrowing Arrangement is approximately 17.6% (taking into account the 1% Shares which will be sold by New Page to the Bridging Dealer under the Stock Sale and Purchase Agreement). Such Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong. These Shares will have been registered on the Hong Kong Branch Share Register prior to the Introduction. The total number of Shares subject to such Share Borrowing Arrangement is significantly in excess of the aggregate of the daily trading volumes of the Shares on the SGX-ST for the 15 trading days immediately before and up to the Latest Practicable Date.

The Stock Borrowing Agreement provides, *inter alia*, that all the Shares borrowed shall be returned to New Page not later than 13 Business Days after the Bridging Period End Date. All applicable laws, rules and regulations in connection with the Stock Borrowing Agreement will be complied with.

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- (4) To facilitate the role of the Bridging Dealer commencing from the pre-opening period on the first day of the Introduction, the Bridging Dealer has established a mechanism in place to build up an ownership of a small inventory of Shares prior to the commencement of trading. There is a Stock Sale and Purchase Agreement between New Page and the Bridging Dealer for the sale of an aggregate of 1,708,050 Shares (representing approximately 1% of the Shares in issue) at a sale price of S\$0.705 per Share, being the closing price of the Shares quoted on the SGX-ST on the day immediately before the date of the Stock Sale and Purchase Agreement. Additionally, the Bridging Dealer shall sell and New Page shall repurchase the equivalent number of Shares it sold under the Stock Sale and Purchase Agreement, at the same price as such Shares were sold, not later than 13 Business Days after the Bridging Period End Date. All applicable laws, rules and regulations in connection with the Stock Sale and Purchase Agreement will be complied with.
- (5) The purpose of the Stock Sale and Purchase Agreement is to facilitate the Bridging Dealer in contributing towards trading liquidity in the Shares on the Hong Kong Stock Exchange, by making available a quantity of Shares to facilitate arbitrage trades commencing from the pre-opening period during the Bridging Period. Under the arrangement described in paragraph (4) of this paragraph above, New Page will maintain a neutral position in respect of its shareholdings in the Company.
- (6) The Bridging Dealer will continue to replenish its Share inventory while carrying out the arbitrage trades. When a buy order has been executed on the Singapore market and a sale order has been executed on the Hong Kong market, the Bridging Dealer will instruct the Singapore Principal Registrar to transfer the Shares purchased on the Singapore market to Hong Kong to replenish their Share inventory for further trading. While such transfer of Shares takes place, the Bridging Dealer will utilise the Shares borrowed under the Stock Borrowing Agreement for settlement of the sale made in Hong Kong.
- (7) The Bridging Dealer has set up a designated dealer identity number 8178 solely for the purposes of carrying out arbitrage trades under the bridging arrangement in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades on the Hong Kong market. Any change in such designated dealer identity number will be disclosed as soon as practicable by way of announcement on both the Hong Kong Stock Exchange and the SGX-ST, and will be posted by the Company on its website. The Bridging Dealer has also set up another designated dealer identity number 8180 which will only be used in emergency and unforeseen situation if the aforesaid identity number for arbitrage trades cannot be used.

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- (8) The Bridging Dealer will enter into such bridging arrangement (including the arbitrage activities) on a voluntary basis with a view to contributing towards the liquidity of Shares in Hong Kong, and intend for such bridging arrangements to constitute proprietary transactions.

It is emphasized that other than the Bridging Dealer, arbitrage activities and bridging arrangements may be carried out by market participants who have access to the Shares. Also, other existing Shareholders who may have transferred part or all of their shareholdings from Singapore to Hong Kong upon the commencement of trading (or thereafter) can also carry out arbitrage trades in the Shares. Such activities will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Bridging Dealer) who elect to enter into such arbitrage activities and bridging arrangements.

The arbitrage activities of the Bridging Dealer and any persons acting for it will be entered into in accordance with all applicable laws, rules and regulations of Hong Kong. The bridging arrangements being implemented in connection with the Introduction are within the circumstances under paragraph 2.3 of the SFC's Guidance Note on Short Selling Reporting and Stock Lending Record Keeping Requirements and accordingly, are not regarded as short selling in breach of section 170 of the SFO. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as market maker and does not undertake to create or make a market in Shares on the Hong Kong market.

6.2 Spread of shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of the Shares available for trading on the Hong Kong Stock Exchange following the Introduction:

- As the Shares are of one and the same class, Shareholders may at their discretion transfer Shares from Singapore to Hong Kong upon or after the Introduction, as described in the paragraph headed “Transfer of Shares” above. Special arrangements have been made to facilitate transfers of Shares, and to incentivize existing Shareholders to transfer their Shares to Hong Kong prior to the Introduction by enabling them to do so at a reduced cost. Details of such arrangements are set out in the paragraph headed “Transfer of Shares – Special arrangements to facilitate transfers prior to the Introduction” above. To the extent that existing Shareholders elect to transfer Shares to Hong Kong before or shortly after the Introduction, such Shares may help contribute to the general liquidity of the Shares on the Hong Kong market.

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- New Page has confirmed to the Sponsor that it will transfer, and/or procure the transfer of, 32,000,000 Existing Shares representing an aggregate of about 18.7% of the Existing Shares in issue to the Hong Kong Branch Share Register prior to the Introduction. As indicated in paragraph (3) of the sub-paragraph headed “6.1 – Intended arbitrage activities during the Bridging Period” above, New Page will lend and make available to the Bridging Dealer Shares which will be used solely for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong.
- In conducting arbitrage activities in circumstances as described in the sub-paragraph headed “6.1 – Intended arbitrage activities during the Bridging Period” above, the Bridging Dealer is effectively acting as a conduit to transfer some of the trading liquidity of the Shares in the Singapore market to the Hong Kong market.

The Sponsor considers that having regard to the special arrangements described in sub-paragraph headed “Special arrangements to facilitate transfers prior to the Introduction”, the paragraph headed “Bridging arrangements” and the paragraph headed “Investor education” in this section of this document, all reasonable efforts have been made to facilitate the migration of Shares to the Hong Kong Branch Share Register to provide the basis for an open market at the time of the Introduction.

6.3 Benefits of the bridging arrangements

It is believed that the bridging arrangements will benefit the Introduction in the following ways:

- As arbitrage trades are intended to be carried out by the Bridging Dealer during the Bridging Period where there exists a meaningful price differential in the Share prices, the bridging arrangements are expected to contribute to the liquidity of the Shares on the Hong Kong market upon the Introduction.
- Arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices on the Hong Kong and the Singapore markets.
- The bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to the Shares, as it is open to all the Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Bridging Dealer.

6.4 Disclosure of the bridging arrangements

In order to enhance transparency of the arbitrage activities carried out under the bridging arrangements, various measures to provide information to the market and potential investors will be undertaken as described in paragraph headed “Investor education” in this section.

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Further, the Company will, as soon as practicable and in any event before the first day of the Introduction, release an announcement on the Hong Kong Stock Exchange and the SGX-ST to inform the investing public of the following information as at the latest practicable date prior to such announcement:

- the number of Shares in respect of which the Singapore Principal Registrar has received instructions from Shareholders for the transfer of such Shares to the Hong Kong Branch Share Register (whether under the Batch-Transfer arrangements or otherwise); and
- the total number of Shares which have been registered on the Hong Kong Branch Share Register.

In respect of the arbitrage trades to be carried out by the Bridging Dealer, the Bridging Dealer has set up a designated dealer identity number 8178 solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades on the Hong Kong market. The Bridging Dealer has also set up another designated dealer identity number 8180 which will only be used in emergency and unforeseen situation if the aforesaid identity number for arbitrage trades cannot be used.

In addition, where applicable, the arbitrage trades carried out by the Bridging Dealer, and the transactions under the Stock Borrowing Agreement and the Stock Sale and Purchase Agreement, will also be disclosed in accordance with the deemed application of the disclosure of interests regime under the relevant provisions of Part XV of the SFO.

7. INVESTOR EDUCATION

7.1 Arrangements involving the Sponsor

Prior to the Introduction, the Sponsor will inform the investor community in Hong Kong of general information about the Company, as well as the developments and/or changes to the bridging arrangements as disclosed in this document. After the Introduction has taken place, the Sponsor may continue to take measures to educate the public. The following measures will be taken to enhance transparency of the Company and the bridging arrangements:

- There will be media briefings and press interviews to inform investors of the arrangements;
- Briefings in relation to the bridging arrangements will be conducted for, amongst others, private bank divisions, a syndicate of brokerage houses and other institutional investors;
- Information factsheets on the Company generally, and on the Share transfer procedures as summarised in paragraph headed “Transfer of Shares” in this section above will be posted on the website of the Company;

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- Information, including the Company’s previous day closing price, trading volume and other relevant historical data, will be posted on the website of the Company. Furthermore, during a period of three Business Days prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange, a daily announcement will be released by the Company on the Hong Kong Stock Exchange and the SGX-ST, disclosing the Company’s previous day closing price on the SGX-ST, as well as any relevant developments and updates with regard to the bridging arrangements; and
- Electronic copies of this document will be disseminated through the website of the Company and the websites of the Hong Kong Stock Exchange and the SGX-ST. In addition, physical copies of this document will be made available for collection at the following locations:
 - Office of the Company in Hong Kong at Room 1109-1111, 11/F, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong; and
 - Office of the Sponsor at 25/F Central Tower, 28 Queen’s Road Central, Hong Kong.

7.2 Other sources of information

Real-time trading information in respect of the Shares can be obtained from the following sources:

- the website of SGX-ST at http://www.sgx.com/wps/portal/marketplace/mp-en/prices_indices_statistics/securities/stocks, at no cost; or
- through service providers that provide such facilities at investors’ own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong.

**BAKER TILLY****HONG KONG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

天職香港會計師事務所有限公司

12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

26 November 2010

The Board of Directors
Novo Group Ltd.
CIMB Securities (HK) Ltd

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Novo Group Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 30 April 2008, 2009 and 2010 and three months ended 31 July 2010 (the “Relevant Periods”), for inclusion in the listing document of the Company dated 26 November 2010 (the “Listing Document”) in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of introduction (the “Listing”). The Financial Information comprises the consolidated and Company’s balance sheets as at 30 April 2008, 2009 and 2010 and as at 31 July 2010, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the Relevant Periods, and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Republic of Singapore (“Singapore”) on 29 June 1989 as a limited liability company under the Companies Act (Chapter 50) of Singapore and its shares were admitted to trading on Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 12 September 1996.

The Company was formerly known as Neocorp International Ltd. which has been in Judicial Management since 28 October 2005. The Company had undertaken a Reverse Acquisition on 10 March 2008 on the basis set out in Note 3(a) of “Notes to the Financial Information” and reverted to a live status with effect from 11 March 2008 after the Judicial Managers were discharged. On 10 March 2008, the Company’s name was changed from Neocorp International Ltd. to Novo Group Ltd..

The Company's balance sheet at 10 March 2008 and its statement of changes in equity for the financial year from 1 December 2007 to 10 March 2008 are unaudited and have not been presented for shareholders' approval at the annual general meeting as the Company was previously under Judicial Management until this was discharged on 10 March 2008. The Company had obtained a waiver from the SGX-ST for holding the Company's annual general meeting at the latest by four months after the end of the Company's financial year ended 30 April 2008. As stated in Note 3(a) of "Notes to the Financial Information", the relevant comparative figures presented in these consolidated financial statements are those of Novo group of companies for the financial year from 1 May 2007 to 30 April 2008.

All the companies now comprising the Group have adopted 30 April as their financial year end date, except for companies established in the People's Republic of China ("PRC") and the Republic of India ("India") which adopt 31 December and 31 March respectively as their year end date, as required by the relevant laws in the PRC and India. The statutory audited financial statements or management financial statements of the subsidiaries of the Company were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective place of incorporation or establishment and were audited except as otherwise stated, by the following certified public accountants:

Name of company	Financial year/period	Name of auditors
Novo Commodities Limited 新源商品有限公司	30 April 2008, 30 April 2009 and 30 April 2010	Baker Tilly Hong Kong Limited
Nova Maritime (B.V.I.) Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Overseas Holdings Pte. Ltd.	30 April 2008, 30 April 2009 and 30 April 2010	Baker Tilly TFWLCL
Novo Investment Limited 香港新源投資有限公司	30 April 2008, 30 April 2009 and 30 April 2010	Baker Tilly Hong Kong Limited
Novo Commodities Pte. Ltd.	30 April 2008, 30 April 2009 and 30 April 2010	Baker Tilly TFWLCL
Global Wealth Trading Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Commodities Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Development Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Iron Shipping Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Resources Limited 新源物料有限公司	16 September 2009 (date of incorporation) to 30 April 2010	Baker Tilly Hong Kong Limited

Name of company	Financial year/period	Name of auditors
Novo Commodities Private Limited	22 November 2007 (date of incorporation) to 31 March 2008, years ended 31 March 2009 and 31 March 2010	B.N. Misra & Co.
Xinghua Holdings Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Iron And Steel Resources Limited 新通資源有限公司	11 March 2005 (date of incorporation) to 30 April 2009 and year ended 30 April 2010 (<i>note (d)</i>)	Shom & Yu CPA Limited
Qiang Hua Trading Limited 強華貿易有限公司	21 April 2008 (date of incorporation) to 30 April 2009 and year ended 30 April 2010	Shom & Yu CPA Limited
Novo Development Limited 新源鋼鐵發展有限公司	25 July 2008 (date of incorporation) to 30 April 2009 and year ended 30 April 2010	Shom & Yu CPA Limited
Novo Iron Ore Limited 新源鐵礦有限公司	14 August 2008 (date of incorporation) to 30 April 2009 and year ended 30 April 2010	Shom & Yu CPA Limited
Qiang Hua (Shanghai) Trading Limited 上海強華貿易有限公司	11 September 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	京都天華會計師事務所有限公司 上海分所(前稱天華會計師事 務所有限公司上海分所)
Novo Development (Tianjin) Limited 新源鋼鐵發展(天津)有限公司	21 January 2009 (date of incorporation) to 31 December 2009	天津華翔聯合會計師事務所
Novosteel DMCC	30 April 2009 (<i>note (c)</i>) and 30 April 2010	Baker Tilly MKM Chartered Accountants
Novo Steel Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Resources Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Shipping Ltd	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)

Name of company	Financial year/period	Name of auditors
Hua Qiang (Shanghai) Trading Limited 上海華強貿易有限公司	Not applicable (<i>note (b)</i>)	Not applicable (<i>note (b)</i>)
Novo Commodities PTE Ltd	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Novo Investment Limited	Not applicable (<i>note (a)</i>)	Not applicable (<i>note (a)</i>)
Xintong (Taizhou) Steel Products Limited 新通(泰州)金屬製品有限公司	Not applicable (<i>note (e)</i>)	Not applicable (<i>note (e)</i>)
Eastern Bulk Pte. Ltd.	17 September 2009 (date of incorporation) to 30 April 2010	Baker Tilly TFWLCL
Novo Steel (HK) Limited 新源鋼鐵(香港)有限公司	3 July 2009 (date of incorporation) to 30 April 2010	Baker Tilly Hong Kong Limited
Xinghua Holdings (China) Limited 興華控股(中國)有限公司	22 November 2007 (date of incorporation) to 30 April 2009 (<i>note (f)</i>)	Shom & Yu CPA Limited

Note:

- (a) No audited financial statements were prepared for these companies as they are not required to issue audited financial statements under the local statutory requirements.
- (b) No audited financial statements were prepared for these companies as they were not due for audit under the local statutory requirements.
- (c) No audited financial statements were prepared for the company for the period from 27 March 2007 (date of incorporation) to 30 April 2008 as it is not required under the local statutory requirements.
- (d) This company has been disposed of at a consideration of US\$705 (equivalent to HKD5,500) on 30 April 2010 together with its subsidiary, Xintong (Taizhou) Steel Products Limited 新通(泰州)金屬製品有限公司, as detailed in note (e).
- (e) No audited financial statements were prepared for this company since its date of establishment on 15 August 2008 and it was disposed of on 30 April 2010 together with its immediate holding company, Iron And Steel Resources Limited (新通資源有限公司).
- (f) This company was dissolved by deregistration on 25 September 2009.

The English translation of the company names of subsidiary companies incorporated in the PRC is for reference only. The official names of these companies are in Chinese.

The financial information of the Group for the period from 11 March 2008 to 30 April 2010 was audited by Baker Tilly TFWLCL, Certified Public Accountants in Singapore, in accordance with Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council. We have audited and reviewed the consolidated financial statements of the

Group for the Relevant Periods as prepared by the Company under the International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”) in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company (“Directors”) are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with the IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements, that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the Underlying Financial Statements which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and consistently applied, that the judgements and estimates made are prudent and reasonable. The Directors are also responsible for the contents of the Listing Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the Underlying Financial Statements for the Relevant Periods used in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the reporting accountant” as recommended by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Adjustments have been made, for the purpose of this report, to restate the consolidated statements of comprehensive income of the Group for the years ended 30 April 2008, 2009 and 2010 and three months ended 31 July 2010 and the consolidated statements of changes in equity for the Relevant Periods and consolidated balance sheets of the Group as at 30 April 2008, 2009 and 2010 and as at 31 July 2010 in order to conform with the accounting policies referred to in Note 3 of the “Notes to the Financial Information” below.

The Financial Information has been prepared based on the Underlying Financial Statements, on the basis set out in Note 2 to the Financial Information, with no adjustment made thereon.

In our opinion, on the basis of preparation set out in Note 2 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2008, 2009 and 2010 and as at 31 July 2010 and of the results, changes in equity and cash flows of the Group for the Relevant Periods, and changes in equity of the Company for the financial periods/years from 11 March 2008 to 31 July 2010.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited financial information of the Group including the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the three months ended 31 July 2009, together with the notes thereto (the “31 July 2009 Corresponding Information”), for which the directors are responsible, in accordance with International Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by IAASB. A review consists principally of making enquiries of the Group’s management and applying analytical procedures to the 31 July 2009 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 July 2009 Corresponding Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 July 2009 Corresponding Information is not prepared, in all material respects, in accordance with the IFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 30 April			Three months ended 31 July	
		2008 US\$	2009 US\$	2010 US\$	2009 US\$	2010 US\$
					(Unaudited)	
Revenue	6	479,969,874	523,692,353	403,023,420	103,734,371	117,192,112
Cost of sales		(415,096,454)	(477,702,393)	(347,332,201)	(94,956,900)	(110,488,449)
Gross profit		64,873,420	45,989,960	55,691,219	8,777,471	6,703,663
Other operating income	7	1,123,834	2,073,230	4,052,324	215,065	623,536
Distribution and selling expenses		(45,894,994)	(37,026,251)	(39,592,434)	(3,389,530)	(4,179,339)
Administrative expenses		(2,568,923)	(3,985,671)	(5,594,622)	(965,777)	(1,156,266)
Goodwill arising from the Reverse Acquisition	8	(1,932,462)	–	–	–	–
Other operating expenses		227,167	(1,911,476)	276,215	36,944	52,380
Finance costs	9	(2,721,155)	(2,865,437)	(1,072,572)	(433,366)	(258,781)
Share of results of associated companies		(77,917)	(613,754)	(52,568)	(27,722)	(21,688)
Profit before income tax	10	13,028,970	1,660,601	13,707,562	4,213,085	1,763,505
Income tax	13	(1,418,776)	(93,813)	(1,691,231)	(278,101)	(188,966)
Profit for the year/period		<u>11,610,194</u>	<u>1,566,788</u>	<u>12,016,331</u>	<u>3,934,984</u>	<u>1,574,539</u>
Attributable to:						
Equity holders of the Company		11,610,156	1,586,621	11,775,484	3,918,144	1,496,791
Minority interests		38	(19,833)	240,847	16,840	77,748
		<u>11,610,194</u>	<u>1,566,788</u>	<u>12,016,331</u>	<u>3,934,984</u>	<u>1,574,539</u>
Earnings per share (in cents)						
Basic	16	2.49	0.25	1.90	0.64	0.22
Diluted	16	2.49	0.25	1.90	0.64	0.22

The accompanying notes form part of the Financial Information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 30 April			Three months ended	
	2008	2009	2010	2009	2010
Note	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Profit for the year/period	11,610,194	1,566,788	12,016,331	3,934,984	1,574,539
Other comprehensive (expenses)/income					
Exchange differences on translation of the Group's overseas operations	(694)	(2,817)	4,030	(1,539)	41,453
Other comprehensive (expenses)/income for the year/period, net of tax	14 (694)	(2,817)	4,030	(1,539)	41,453
Total comprehensive income for the year/period	<u>11,609,500</u>	<u>1,563,971</u>	<u>12,020,361</u>	<u>3,933,445</u>	<u>1,615,992</u>
Attributable to:					
Equity holders of the Company	11,609,462	1,586,984	11,778,174	3,916,386	1,534,438
Minority interests	38	(23,013)	242,187	17,059	81,554
Total comprehensive income for the year/period	<u>11,609,500</u>	<u>1,563,971</u>	<u>12,020,361</u>	<u>3,933,445</u>	<u>1,615,992</u>

The accompanying notes form part of the Financial Information.

CONSOLIDATED BALANCE SHEETS

	<i>Note</i>	At 30 April			At
		2008	2009	2010	31 July
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Assets					
Non-current assets					
Property, plant and equipment					
– interests in leasehold land held for own use under operating leases	17	–	–	1,135,435	1,138,172
– other property, plant and equipment	17	1,487,283	1,499,567	6,489,374	6,450,479
Investment in associated companies	18	640,044	26,290	463,722	442,034
		<u>2,127,327</u>	<u>1,525,857</u>	<u>8,088,531</u>	<u>8,030,685</u>
Current assets					
Inventories	20	–	–	26,527,884	25,271,504
Trade and other receivables	21	48,115,755	37,310,932	24,679,502	35,201,905
Tax recoverable		–	200,134	–	–
Cash and bank balances	22	30,216,493	20,960,351	32,012,461	24,399,815
		<u>78,332,248</u>	<u>58,471,417</u>	<u>83,219,847</u>	<u>84,873,224</u>
Total assets		<u>80,459,575</u>	<u>59,997,274</u>	<u>91,308,378</u>	<u>92,903,909</u>
Equity and liabilities					
Share capital	27	24,013,831	24,013,831	32,238,531	32,238,531
Reserves		<u>16,184,126</u>	<u>15,780,574</u>	<u>27,938,938</u>	<u>29,473,376</u>
Total equity attributable to equity holders of the Company		<u>40,197,957</u>	<u>39,794,405</u>	<u>60,177,469</u>	<u>61,711,907</u>
Minority interests		<u>17,951</u>	<u>580,432</u>	<u>1,098,167</u>	<u>1,179,721</u>
Total equity		<u>40,215,908</u>	<u>40,374,837</u>	<u>61,275,636</u>	<u>62,891,628</u>

	<i>Note</i>	At 30 April			At
		2008	2009	2010	31 July
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Non-current liabilities					
Borrowings	23	303,483	–	2,600,468	2,512,421
Deferred income	25	–	–	178,768	179,179
		<u>303,483</u>	<u>–</u>	<u>2,779,236</u>	<u>2,691,600</u>
Current liabilities					
Trade and other payables	24	32,843,114	19,551,190	14,523,305	9,311,591
Borrowings	23	4,331,436	–	11,304,614	16,396,111
Deferred income	25	–	–	3,686	3,713
Tax payable		<u>2,765,634</u>	<u>71,247</u>	<u>1,421,901</u>	<u>1,609,266</u>
		<u>39,940,184</u>	<u>19,622,437</u>	<u>27,253,506</u>	<u>27,320,681</u>
Total liabilities		<u>40,243,667</u>	<u>19,622,437</u>	<u>30,032,742</u>	<u>30,012,281</u>
Total equity and liabilities		<u>80,459,575</u>	<u>59,997,274</u>	<u>91,308,378</u>	<u>92,903,909</u>
Net current assets		<u>38,392,064</u>	<u>38,848,980</u>	<u>55,966,341</u>	<u>57,552,543</u>
Total assets less current liabilities		<u>40,519,391</u>	<u>40,374,837</u>	<u>64,054,872</u>	<u>65,583,228</u>
Net assets		<u>40,215,908</u>	<u>40,374,837</u>	<u>61,275,636</u>	<u>62,891,628</u>

The accompanying notes form part of the Financial Information.

COMPANY BALANCE SHEETS

	Note	At		At 30 April		At 31 July	
		10 March					
		2008	2008	2009	2010	2010	2010
		US\$	US\$	US\$	US\$	US\$	US\$
		(Unaudited)					
Assets							
Non-current assets							
Investment in subsidiaries	19	–	79,766,215	79,766,233	79,588,416	79,588,416	
Current assets							
Trade and other receivables	21	1,669,788	3,627,302	21,665,652	33,973,595	35,490,592	
Cash and bank balances	22	501,676	18,311,705	239,962	1,864,706	327,069	
		<u>2,171,464</u>	<u>21,939,007</u>	<u>21,905,614</u>	<u>35,838,301</u>	<u>35,817,661</u>	
Total assets		<u>2,171,464</u>	<u>101,705,222</u>	<u>101,671,847</u>	<u>115,426,717</u>	<u>115,406,077</u>	
Equity and liabilities							
Share capital	27	8,761	100,514,751	100,514,751	108,739,451	108,739,451	
Reserves	28	3	(111,878)	960,099	6,578,481	6,523,395	
Total equity		<u>8,764</u>	<u>100,402,873</u>	<u>101,474,850</u>	<u>115,317,932</u>	<u>115,262,846</u>	
Current liabilities							
Trade and other payables	24	–	1,302,349	194,914	102,852	137,298	
Tax payable		–	–	2,083	5,933	5,933	
Convertible loan	26	2,162,700	–	–	–	–	
		<u>2,162,700</u>	<u>1,302,349</u>	<u>196,997</u>	<u>108,785</u>	<u>143,231</u>	
Total liabilities		<u>2,162,700</u>	<u>1,302,349</u>	<u>196,997</u>	<u>108,785</u>	<u>143,231</u>	
Total equity and liabilities		<u>2,171,464</u>	<u>101,705,222</u>	<u>101,671,847</u>	<u>115,426,717</u>	<u>115,406,077</u>	
Net current assets		<u>8,764</u>	<u>20,636,658</u>	<u>21,708,617</u>	<u>35,729,516</u>	<u>35,674,430</u>	
Total assets less current liabilities		<u>8,764</u>	<u>100,402,873</u>	<u>101,474,850</u>	<u>115,317,932</u>	<u>115,262,846</u>	
Net assets		<u>8,764</u>	<u>100,402,873</u>	<u>101,474,850</u>	<u>115,317,932</u>	<u>115,262,846</u>	

The accompanying notes form part of the Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Share capital	Treasury shares	Retained earnings	Other reserve	Foreign currency translation reserve	Total equity attributable to equity holders of the Company	Minority interests	Total
Note	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
					(Note 28(a))				
Balance at 1 May 2007 (Unaudited)		1,278,377	-	8,574,664	-	-	9,853,041	-	9,853,041
Changes in equity for the year									
Issue of shares by legal subsidiaries	27(g)	54,453	-	-	-	-	54,453	-	54,453
Issue of shares pursuant to the Reverse Acquisition	27(h)	1,941,226	-	-	-	-	1,941,226	-	1,941,226
Expenses for the Reverse Acquisition		(2,265,162)	-	-	-	-	(2,265,162)	-	(2,265,162)
Issue of shares pursuant to the convertible loan agreement	27(i)	2,162,700	-	-	-	-	2,162,700	-	2,162,700
Issue of shares pursuant to placing, net	27(k)	20,842,237	-	-	-	-	20,842,237	-	20,842,237
Acquisition of a subsidiary		-	-	-	-	-	-	17,913	17,913
Dividend paid	30	-	-	(4,000,000)	-	-	(4,000,000)	-	(4,000,000)
Total comprehensive income for the year		-	-	11,610,156	-	(694)	11,609,462	38	11,609,500
Balance at 30 April 2008		24,013,831	-	16,184,820	-	(694)	40,197,957	17,951	40,215,908
Changes in equity for the year									
Minority shareholder of newly incorporated subsidiary		-	-	-	-	-	-	585,494	585,494
Purchase of treasury shares	29	-	(1,990,536)	-	-	-	(1,990,536)	-	(1,990,536)
Total comprehensive income for the year		-	-	1,586,621	-	363	1,586,984	(23,013)	1,563,971
Balance at 30 April 2009		24,013,831	(1,990,536)	17,771,441	-	(331)	39,794,405	580,432	40,374,837
Changes in equity for the year									
Minority shareholders of newly incorporated subsidiaries		-	-	-	-	-	-	274,980	274,980
Acquisition of a subsidiary		-	-	-	-	-	-	(12,901)	(12,901)
Disposed of a subsidiary		-	-	-	-	-	-	13,469	13,469
Dividend paid	30	-	-	(4,211,307)	-	-	(4,211,307)	-	(4,211,307)
Purchase of treasury shares	29	-	(1,144,469)	-	-	-	(1,144,469)	-	(1,144,469)
Placement of new shares and disposal of treasury shares	27(l), 29	8,224,700	3,135,005	-	2,600,961	-	13,960,666	-	13,960,666
Total comprehensive income for the year		-	-	11,775,484	-	2,690	11,778,174	242,187	12,020,361
Balance at 30 April 2010		32,238,531	-	25,335,618	2,600,961	2,359	60,177,469	1,098,167	61,275,636

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Treasury shares	Retained earnings	Other reserve	Foreign currency translation reserve	Total equity attributable to equity holders of the Company	Minority interests	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
	(Note 28(a))							
Balance at 1 May 2009	24,013,831	(1,990,536)	17,771,441	–	(331)	39,794,405	580,432	40,374,837
Changes in equity for the period								
Minority shareholders of newly incorporated subsidiaries (Unaudited)	–	–	–	–	–	–	62,821	62,821
Purchase of treasury shares (Unaudited)	–	(325,667)	–	–	–	(325,667)	–	(325,667)
Total comprehensive income for the period (Unaudited)	–	–	3,918,144	–	(1,758)	3,916,386	17,059	3,933,445
Balance at 31 July 2009 (Unaudited)	<u>24,013,831</u>	<u>(2,316,203)</u>	<u>21,689,585</u>	<u>–</u>	<u>(2,089)</u>	<u>43,385,124</u>	<u>660,312</u>	<u>44,045,436</u>
Balance at 1 May 2010	32,238,531	–	25,335,618	2,600,961	2,359	60,177,469	1,098,167	61,275,636
Changes in equity for the period								
Total comprehensive income for the period	–	–	1,496,791	–	37,647	1,534,438	81,554	1,615,992
Balance at 31 July 2010	<u>32,238,531</u>	<u>–</u>	<u>26,832,409</u>	<u>2,600,961</u>	<u>40,006</u>	<u>61,711,907</u>	<u>1,179,721</u>	<u>62,891,628</u>

The accompanying notes form part of the Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

	<i>Note</i>	Year ended 30 April			Three months ended 31 July	
		2008 <i>US\$</i>	2009 <i>US\$</i>	2010 <i>US\$</i>	2009 <i>US\$</i>	2010 <i>US\$</i>
Cash flows from operating activities						
Profit before income tax		13,028,970	1,660,601	13,707,562	4,213,085	1,763,505
Adjustments for:						
Amortisation of deferred income	7	–	–	(921)	–	(924)
Amortisation of operating leasehold land	10	–	–	11,451	–	5,748
Depreciation of property, plant and equipment	10	57,576	75,778	128,834	23,074	58,149
Fair value loss on derivative financial instruments (futures on steel contracts)	10	–	–	24,176	–	–
Gain on disposal of a subsidiary	7	–	–	(1,271)	–	–
Goodwill arising from the Reverse Acquisition written off	10	1,932,462	–	–	–	–
Negative goodwill on consolidation	7	(6,261)	–	–	–	–
Loss on disposal of property, plant and equipment	10	–	35,244	–	–	–
Property, plant and equipment written off	10	–	10,333	–	–	–
Interest expense	9	1,909,582	2,135,821	435,267	230,934	165,336
Interest income	7	(382,923)	(150,224)	(23,753)	(6,335)	(3,656)
Share of results of associated companies		77,917	613,754	52,568	27,722	21,688
Operating profit before movements in working capital		16,617,323	4,381,307	14,333,913	4,488,480	2,009,846
Inventories		–	–	(26,527,884)	(5,214,873)	1,256,380
Trade and other receivables		(36,023,045)	10,802,569	12,607,960	99,393	(10,522,403)
Trade and other payables		17,358,293	(13,165,649)	(6,367,325)	(111,353)	(4,537,205)
Currency translation differences		–	153,486	(99,577)	(6,653)	38,665
Cash (used in)/generated from operations		(2,047,429)	2,171,713	(6,052,913)	(745,006)	(11,754,717)
Tax paid		(399,863)	(3,004,128)	(122,964)	–	(2,152)
Interest income received		382,923	150,224	23,753	6,335	3,656
Net cash used in operating activities		(2,064,369)	(682,191)	(6,152,124)	(738,671)	(11,753,213)

	Note	Year ended 30 April			Three months ended	
		2008	2009	2010	31 July	
		US\$	US\$	US\$	US\$	US\$
						(Unaudited)
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment		–	567	–	–	–
Purchase of property, plant and equipment		(64,191)	(139,871)	(6,081,785)	(46,259)	(15,670)
Net cash acquired from the Reverse Acquisition	<i>I</i>	501,676	–	–	–	–
Acquisition of a subsidiary, net of cash acquired	<i>II</i>	4,842	–	47,013	–	–
Disposal of a subsidiary, net of cash disposed	<i>III</i>	–	–	(47,418)	–	–
Investment in an associated company		(577)	–	(490,000)	(490,000)	–
Net cash generated from/(used in) investing activities		<u>441,750</u>	<u>(139,304)</u>	<u>(6,572,190)</u>	<u>(536,259)</u>	<u>(15,670)</u>
Cash flows from financing activities						
Advances (to)/from directors		(125,987)	(124,021)	738,247	–	(738,247)
Advances from minority shareholders		–	–	602,732	–	63,738
Capital injection by minority shareholders		–	585,494	274,980	62,821	–
Decrease/(increase) in fixed deposits and cash pledged		4,950,475	4,449,818	(14,896,811)	(7,614,034)	14,038,628
Dividend paid	<i>30</i>	(4,000,000)	–	(4,211,307)	–	–
Expenses for the Reverse Acquisition and share placement		(595,374)	–	–	–	–
Interest expense paid		(1,909,582)	(2,135,821)	(435,267)	(230,934)	(165,336)
Net proceeds from new shares issued		20,896,690	–	8,224,700	–	–
Net proceeds from disposal of treasury shares	<i>29</i>	–	–	5,735,966	–	–
Purchase of treasury shares	<i>29</i>	–	(1,990,536)	(1,144,469)	(325,667)	–
Net proceeds from/(repayment of) short-term borrowings		3,110,639	(4,201,511)	10,943,117	982,219	5,085,572
Proceeds from mortgage loan		–	–	2,991,872	–	–
Repayments of mortgage loan		(121,619)	(433,408)	(29,907)	–	(89,490)
Net cash generated from/(used in) financing activities		<u>22,205,242</u>	<u>(3,849,985)</u>	<u>8,793,853</u>	<u>(7,125,595)</u>	<u>18,194,865</u>

Note	Year ended 30 April			Three months ended 31 July	
	2008	2009	2010	2009	2010
	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Net increase/(decrease) in cash and cash equivalents	20,582,623	(4,671,480)	(3,930,461)	(8,400,525)	6,425,982
Cash and cash equivalents at beginning of year/period	1,116,331	21,698,954	16,892,630	16,892,630	13,047,929
Effect of foreign exchange rate changes	–	(134,844)	85,760	–	–
Cash and cash equivalents at end of year/period	<u>21,698,954</u>	<u>16,892,630</u>	<u>13,047,929</u>	<u>8,492,105</u>	<u>19,473,911</u>
Cash and cash equivalents are represented by:					
Cash and bank balances	22	30,216,493	20,960,351	32,012,461	20,173,860
Less: Fixed deposits and cash subjected to restriction*		(8,517,539)	(4,067,721)	(18,964,532)	(11,681,755)
		<u>21,698,954</u>	<u>16,892,630</u>	<u>13,047,929</u>	<u>8,492,105</u>
				<u>19,473,911</u>	

The accompanying notes form part of the Financial Information.

* This relates to deposits pledged with banks for banking facilities granted (Notes 23 and 24).

Note I: Net cash acquired from the Reverse Acquisition

The Company completed the Reverse Acquisition of the Novo group of companies in March 2008 (Note 3(a)) and the net cash flow from the acquisition was as follows:

	US\$	US\$
Net purchase consideration		1,941,226
Cash and cash equivalents	501,676	
Prepayments	1,669,788	
Convertible loan	(2,162,700)	
	<u>8,764</u>	
Less: Cash acquired	(501,676)	
		<u>492,912</u>
Goodwill arising from the Reverse Acquisition (Note 8)		(1,932,462)
Net cash inflow from the Reverse Acquisition		<u>501,676</u>

Note II: Acquisition of a subsidiary, net of cash acquired

On 12 January 2010, the Group acquired an additional 10% of the equity interests in an associated company, Iron And Steel Resources Limited, for a cash consideration of US\$128 (equivalent to HKD1,000). Following the additional investment, Iron And Steel Resources Limited became a 55% owned subsidiary of the Group (Note 18b (vii)).

The acquisition was accounted for using the purchase method of accounting. The assets acquired and the liabilities assumed, and the cash flow effect as a result of the acquisition was as follows:

	<i>US\$</i>
Other receivables	1,824
Cash and cash equivalents	47,141
Accrued expenses and other payables	<u>(77,635)</u>
	(28,670)
Minority interests	12,901
Goodwill on acquisition	<u>15,897</u>
Net assets acquired	<u><u>128</u></u>
Cash and cash equivalents of an associated company acquired	47,141
Less: Total purchase consideration paid	<u>(128)</u>
Net cash inflow on acquisition of a subsidiary	<u><u>47,013</u></u>

On 25 March 2008, the Group allotted 510,000 ordinary shares (the “shares”) of Novo Commodities Private Limited, at a cash consideration of approximately US\$13,077 (equivalent to Indian Rupee 510,000) (Note 19(1)). The shares represents 51% of the total issued and fully paid-up share capital of Novo Commodities Private Limited.

The acquisition was accounted for using the purchase method of accounting. The assets acquired and the liabilities assumed, and the cash flow effect as a result of the acquisition was as follows:

	<i>US\$</i>
Property, plant and equipment (<i>Note 17</i>)	35,778
Other receivables	42,790
Cash and cash equivalents	17,919
Trade and other payables	(51,074)
Tax payable	<u>(7,495)</u>
	37,918
Minority interests	(18,580)
Negative goodwill (<i>Note 7</i>)	<u>(6,261)</u>
Net assets acquired	<u><u>13,077</u></u>
Cash and cash equivalents of a subsidiary acquired	17,919
Less: Total purchase consideration	<u>(13,077)</u>
Net cash inflow on acquisition of a subsidiary	<u><u>4,842</u></u>

Note III: Disposal of a subsidiary, net of cash disposed

On 30 April 2010, the Group disposed of 55% of the equity interests in a subsidiary, Iron And Steel Resources Limited, for a cash consideration of US\$705 (equivalent to HKD5,500) (Note 19(p)), and the net cash flow of that case was as follows:

	US\$
Other receivables	1,119
Cash and cash equivalents	48,123
Accrued expenses and other payables	(79,174)
Minority interests	13,469
Goodwill on acquisition	15,897
	<hr/>
	(566)
Gain on disposal (<i>Note 7</i>)	1,271
	<hr/>
Total disposal price	705
Less: Cash and cash equivalents of subsidiary disposed of	(48,123)
	<hr/>
Net cash outflow on disposal of a subsidiary	<u>(47,418)</u>

The accompanying notes form part of the Financial Information.

B. NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION**

Novo Group Ltd. (the "Company") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company reverted to "live" status with effect from 11 March 2008 after the Judicial Managers were discharged on the completion of the Reverse Acquisition on 10 March 2008. The Company had obtained a waiver from the SGX-ST for holding the Company's annual general meeting latest by four months after the end of the Company's year ended 30 April 2008. The Company was required to hold its first annual general meeting after the reversion to live status by 31 August 2009 and subsequently held its annual general meeting on 24 August 2009. The holding company is New Page Investments Limited, incorporated in the British Virgin Islands ("BVI"). Details of the Reverse Acquisition are summarised in Note 3(a) below.

On 10 March 2008, the Company's name was then changed from Neocorp International Limited to Novo Group Ltd..

The address of its registered office is at 20 Harbour Drive #05-01 PSA Vista, Singapore 117612. The headquarter and principal place of business of the Group is at Rooms 1109-11, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are set out in Note 19 to the Financial Information.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Financial Information is presented in United States dollars ("US\$") which is also the functional currency of the Group, rounded to the nearest dollar, unless otherwise stated.

The Financial Information has been prepared in accordance with all applicable IFRSs, which comprise International Financial Reporting Standards, International Accounting Standards and Interpretations, issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee, and with the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Hong Kong Companies Ordinance.

The IASB issued a number of new or revised IFRSs which are generally effective for annual periods beginning on or after 1 May 2007, 1 May 2008, 1 May 2009 and 1 May 2010 respectively.

For the purpose of preparing and presenting the Financial Information in the Relevant Periods, the Group has adopted all these new and revised IFRSs that are relevant to the Group's operations as at the beginning of the Relevant Periods. The Group did not prepare consolidated financial statements in IFRSs. This is the first IFRS consolidated financial statements of the Group, consequently, IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied in preparing the Financial Information.

The accounting policies set out in Note 3 below have been applied consistently to all periods in this Financial Information and in preparing an opening IFRS statement of financial position as of 1 May 2007 for the purpose of the transition to IFRS unless otherwise stated.

The Financial Information has been prepared under the historical cost basis except that the derivative financial instruments are stated at their fair value (see Note 3(l)).

IFRSs issued but not yet effective

The IASB has issued a number of new and revised IFRSs that are not yet effective for the Relevant Periods and the Group has not applied these new or revised IFRSs in the Financial Information. The application of these IFRSs is not expected to have material impact on the financial information of the Group in the period of initial application.

The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. These estimates are based on management's best knowledge and judgement of current events and actions in the process of applying the Group's accounting policies and actual results may ultimately differ from these estimates. The areas involving a high degree of critical judgements or complexity and areas where assumptions and estimates are significant to this Financial Information, are disclosed in Note 4.

3 SIGNIFICANT ACCOUNTING POLICIES**(a) Consolidation**

The Financial Information comprises the financial statements of the Company and its subsidiaries as at the balance sheet date. 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.

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-group transactions that are recognised in assets, such as inventories and property, plant and equipment, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase accounting method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 3(d).

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the consolidated income statement on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement and the consolidated statement of comprehensive income.

Reverse Acquisition

Before the Reverse Acquisition, Neocorp International Ltd. ("Neocorp") was placed under judicial management since 28 October 2005 under an order of the High Court of Singapore whereby Mr. Kon Yin Tong and Mr. Wong Kian Kok of Messrs Foo Kon Tan Grant Thornton were appointed the Judicial Managers of Neocorp. As at 25 January 2008, the substantial shareholder of Neocorp was Neo Investment Pte Ltd (which was placed under Judicial Management). As at 10 March 2008, the details of assets, liabilities of Neocorp have been shown on page I-11 of the Accountants' Report. Neocorp was dormant, not carrying any business activities since 28 October 2005 and up to 10 March 2008. It did not have any net profit/(loss) for the period ended 10 March 2008.

On 10 March 2008, the Company completed the Reverse Acquisition of the following companies (collectively referred to as the "Novo group of companies"). The total consideration of the Reverse Acquisition amounted to approximately S\$110.65 million, equivalent to US\$77.76 million, and was satisfied by the allotment and issuance of 3,688,270,000 ordinary shares at the issue price of S\$0.03 each to certain directors of the Company ("Vendors") and their nominee, New Page Investments Limited. The aggregate number of consideration shares to be allotted and issued represented approximately 95.1% of the enlarged share capital of the then Company after completion of the Reverse Acquisition.

- (i) Nova Maritime (B.V.I.) Limited;
- (ii) Novo Overseas Holdings Pte. Ltd. (formerly known as Nova Shipping Pte. Ltd.);
- (iii) Novo Investment Limited 香港新源投資有限公司;

- (iv) Novo Commodities Limited 新源商品有限公司;
- (v) Novo Commodities Pte. Ltd.;
- (vi) Novo Commodities Limited;
- (vii) Novosteel DMCC; and
- (viii) Global Wealth Trading Limited, which owns 30% of the aggregate shareholding in each of Rico Group Limited (the holding company of Novostal Limited) and Novostal Pte. Ltd., 100% of the aggregate shareholding in Xinghua Holdings Limited (the holding company of Xinghua Holdings (China) Limited) and 45% of the aggregate shareholding in Iron And Steel Resources Limited 新通資源有限公司.

The certain directors or the Vendors of the Company referred to above are Mr. Yu Wing Keung, Dicky and Mr. Chow Kin Wa of whom they are collectively the directors of the Novo group of companies which were injected into Neocorp. Upon completion of the Reverse Acquisition, they became directors of the Company. Before that, they did not have any relationship with Neocorp and were independent vendors from Neocorp.

Immediately after the Reverse Acquisition, New Page Investments Limited, a company incorporated in the British Virgin Islands, held approximately 67% of the equity shares of the then Company, and became its ultimate holding company thereafter. New Page Investments Limited is 70% owned by Mr. Yu Wing Keung, Dicky and 30% owned by Mr. Chow Kin Wa.

The consideration was equivalent to 10 times the audited net profit after tax of the Novo group of companies on a combined basis for the financial year ended 30 April 2007 in US\$. (Based on the exchange rate of S\$/US\$ of 1.52, which was determined by reference to the spot rate of exchange for S\$/US\$ quoted on Bloomberg on 30 April 2007.)

The acquisition of the Novo group of companies has been accounted for as a Reverse Acquisition and the legal subsidiaries (i.e. Novo group of companies) are considered the acquirer for accounting purposes in accordance with IFRS 3 "Business Combinations" which was effective for those business combinations for which the agreement date was on or after 31 March 2004. Accordingly, the Group's Financial Information has been prepared as a continuation of the Novo group of companies' financial statements.

Since the opening balances of the Financial Information in this report represent a continuation of the consolidated financial statements of the above legal subsidiaries:

- (i) the assets and liabilities of the Novo group of companies are recognised and measured in the consolidated balance sheet at their pre-combination carrying amounts;
- (ii) the retained earnings and other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Novo group of companies immediately before the business combination;
- (iii) the amount recognised as issued equity instruments in those consolidated financial statements was determined by adding the costs of the combination for the Acquisition to the issued equity of the Novo group of companies immediately before the business combination. The equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued), however, reflects the equity structure of the legal parent (i.e. the Company), including the equity instrument issued by the legal parent to reflect the business combination; and
- (iv) the comparative figures for year ended 30 April 2008 presented in the Financial Information are those of the Novo group of companies.

Consolidated financial statements prepared following the Reverse Acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (i.e. the acquiree for accounting purposes). Therefore, the cost of the business combination for the Acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria, at their fair values as at 10 March 2008. The excess of the cost of the combination over the Novo group of companies' interest in the net fair value of those items is recognised as goodwill.

(b) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has this power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but it is not control or joint control over those policies.

The results and assets and liabilities of associated companies are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate company, less any impairment in the value of individual investments. Losses of an associate company in excess of the Group's interest in that associate company are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate company.

Any excess of the cost of acquisition over the Group share's of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate company recognised at the date of acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in the Group's profit or loss.

Where a group entity transacts business with an associate company of the Group, profits and losses on transactions are eliminated to the extent of the Group's interest in the relevant associate.

(d) Goodwill

Goodwill arising on the acquisition of a subsidiary, or associated companies represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associated company recognised at the date of acquisition. Goodwill on subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, and 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, and 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 a subsequent period.

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

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 3(c).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use less any trade discounts and rebates.

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.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in profit or loss during the financial year when it is incurred.

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 revaluation reserve relating to that asset is transferred to retained earnings, if applicable.

Depreciation is calculated so as to write off the cost of all property, plant and equipment, less any estimated residual value, if any, over their estimated useful lives using the straight-line method as follows:

	Number of years
Leasehold land and buildings (*)	40 to 50 years
Furniture and equipment	5 to 20 years
Computer equipment	3 to 6 years
Motor vehicles	5 years
Renovation	5 years

* Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and the buildings' estimated useful lives.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

Properties in the course of construction for production, or administrative purposes, or for the purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences with the assets are ready for their intended use.

(f) Impairment of non-financial assets

At each balance sheet date, the Group reviews 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.

The 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 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.

(g) Operating leases

Leases where a significant portion of the risks and rewards of 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 straight-line basis over the lease term.

When an operating lease is terminated before the expiry of the lease period, 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.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses.

(i) Financial assets

(i) Classification

The Group classifies its financial assets according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Group's only financial assets (excluding derivative financial instruments (see Note 3(1)) are loans and receivables.

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 balance sheet date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and "cash and bank balances" on the balance sheet.

(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 sale 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.

(iii) Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Interest income on financial assets are recognised separately in profit or loss.

(v) *Impairment*

The Group assesses at each balance sheet 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 amount previously written off are recognised against same line item in profit or loss.

(j) **Cash and cash equivalents**

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and unsecured demand deposits and fixed deposits which form an integral part of the Group's cash management and which are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

(k) **Financial liabilities and equity**

Financial liabilities include trade and other payables, borrowings and convertible loan. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. 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.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) *Trade and other payables*

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(ii) *Equity instruments*

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) *Ordinary shares are classified as equity*

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.

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of the treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee performance share scheme, the cost of the treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is taken to equity as other reserve of the Company.

(iv) *Borrowings*

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(v) *Convertible loan*

A convertible loan is regarded as hybrid instrument, consisting of an embedded derivative, the economic characteristic and risks of which are not closely related to that of the host instrument, the loan.

Convertible loan that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, is accounted for as compound financial instrument. Transaction costs that relate to the issue of compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible loan is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the financial statements is calculated using the effective interest method over the life of the convertible loan.

For embedded derivative which fair value cannot be determined reliably, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the host contract.

(l) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into. At each balance sheet date the fair value is remeasured. The resulting gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Since the derivative instruments entered into by the Group do not qualify for hedge accounting, changes in the fair value of these derivative instruments are recognised immediately in profit or loss within "other operating income/(expenses)".

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For employees in Singapore, defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee service in current or preceding year. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

The employees in the People's Republic of China ("PRC") are members of the retirement benefit scheme recognised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly to equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

Deferred tax liabilities are recognised for all taxable differences associated with investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity. Deferred tax assets and liabilities are not discounted.

(o) Provision

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(p) Revenue and other operating income

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods net of 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.

These are recognised on the following basis:

Sales of goods – when significant risks and rewards of ownership of the goods are transferred to the buyers.

Revenue from provision of chartering services – on a time proportion basis in accordance with the daily charter rate stated in the charter hire agreement for the number of days under charter.

Interest income – on a time proportion basis using the effective interest method.

(q) Foreign currencies*(i) 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 the entity operates (the “functional currency”). The financial statements of the Group and the Company are presented in United States Dollars (“US\$”), which is the Company’s functional and presentation currency.

The functional currency of the Company was changed from Singapore Dollars (“S\$”) in prior financial years to US\$ in the Relevant Periods. As majority of the operations of the subsidiaries from the Reverse Acquisition are denominated primarily in US\$, the directors are of the opinion that US\$ reflects the economic substance of the underlying events and circumstances relevant to the Company.

(ii) 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 foreign currency translation reserve within equity in the consolidated financial statements.

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.

(iii) 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 presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of each balance sheet;
- (b) 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
- (c) All resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

On consolidation, currency translation 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 borrowings and other currency instruments designated as hedges of such investments are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve. When a foreign operation is disposed of or sold, the cumulative exchange gain or loss is reclassified from equity to profit or loss as part of the gain or loss on disposal.

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.

(r) Borrowing costs

Borrowing costs 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.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Dividend

Interim dividends are recorded during the Relevant Periods in which they are declared payable. Final dividends are recorded during the Relevant Periods in which the dividends are approved by the shareholders at general meeting.

(u) 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 chief operating decision maker for making decisions about allocating resources and assessing performance of operating segments.

(v) Government grants

Government grants which represent grants received from Tianjin Economic Technological Development Area (TEDA) Construction Development Bureau are recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the cost that it is intended to compensate.

(w) **Events after the balance sheet date**

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Event after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions concerning the future and judgements are made in the preparation of the Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosure made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgement made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made certain judgements apart from those involving estimations which have significant effect on amounts recognised in the Financial Information.

(i) *Impairment of investments and financial assets*

The Group follows the guidance of IFRS 39 in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement by the Group which evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost, and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010 was US\$2,765,634, US\$128,887 (net of tax recoverable), US\$1,421,901 and US\$1,609,266 respectively.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

Depreciation of property, plant and equipment

Management estimates the useful lives of the Group's property, plant and equipment to be within 3 to 50 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment is based on commercial factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010 was US\$1,487,283, US\$1,499,567, US\$7,624,809 and US\$7,588,651 respectively.

5 RELATED PARTY TRANSACTIONS

In addition to information disclosed elsewhere in the Financial Information, the following related party transactions took place between the Group and related parties during the Relevant Periods on terms mutually agreed by the parties concerned:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors set out in Note 11 and certain of the highest paid employees set out in Note 12, is as follows:

	Year ended 30 April			Three months ended	
	2008	2009	2010	31 July	2010
	US\$	US\$	US\$	US\$	US\$
Salaries, wages and other benefits	688,341	1,258,316	1,771,142	210,528	232,001
Retirement benefits scheme contributions	11,753	22,660	14,443	3,105	4,127
	<u>700,094</u>	<u>1,280,976</u>	<u>1,785,585</u>	<u>213,633</u>	<u>236,128</u>

(Unaudited)

Total remuneration is included in "staff costs" (see Note 10).

(b) Other related party transactions

	Note	Year ended 30 April		Three months ended		
		2008 US\$	2009 US\$	2010 US\$	2009 US\$	2010 US\$
(Unaudited)						
Continuing						
Sales of goods to related parties	(ii)	–	–	3,909,791	29,617	1,661,263
Purchase of goods from related parties	(ii)	–	–	3,283,108	187,571	6,922,695
Sales of goods to a minority shareholder	(iii)	–	–	29,812	29,812	–
Purchases of goods from a minority shareholder	(iii)	–	–	257,205	257,205	–
Warehouse rental charges paid to related parties	(iv)	–	–	257,151	–	193,882
Office rental charges paid to a related party	(iv)	–	–	10,385	–	3,462
Discontinuing						
Agency fees paid to associated companies	(v)	1,248	162,928	326,825	76,633	–
Agency fees from an associated company	(vi)	6,438	–	–	–	–
Distribution agency fee from an associated company	(vii)	–	86,931	–	–	–
Service fees from associated companies	(viii)	115,385	115,385	28,846	28,846	–
Management fees from associated companies	(ix)	307,692	442,923	–	–	–
Miscellaneous handling expenses paid to an associated company	(x)	–	42,106	–	–	–
Professional fees paid to a related party	(xi)	–	134,000	134,000	33,500	–
Sales of goods to a minority shareholder	(xii)	–	–	73,134	–	–
Purchase of goods from a related party and a minority shareholder	(xii)	–	134,498	1,896,558	357,399	–
Vessels rental income from a related party	(xiii)	–	–	4,962,864	–	–
Vessels rental charges paid to a related party	(xiii)	–	–	4,477,100	–	–
Purchase of a motor vehicle from a director	(xiv)	–	–	3,590	3,590	–
Other operating income from a related party	(xv)	–	–	385,171	–	–
LC agency fees to a related party	(xvi)	–	–	–	–	72,923

Note:

- (i) Intra-group transactions that have been eliminated in the Financial Information are not disclosed as related party transactions above.

- (ii) Sales and purchase of goods to and from related parties relates to the trading of steel products. All trading transactions are made at similar terms as the Group grants to other independent third parties.
- (iii) Sales and purchase of goods to and from a minority shareholder relates to the trading of steel products. All trading transactions are made at similar terms as the Group grants to other independent third parties.
- (iv) Charges paid to related parties for leasing warehouses and an office for daily operation of the Group.
- (v) Agency fees for arranging and opening letters of credit and banking facilities were charged by associated companies. The charge rate ranged from US\$0.25 to US\$2 per tonne of actual quantity shipped.
- (vi) Shipping agency fee for arranging of the chartering and shipments was rendered to an associate company. The charge rate was at normal commercial terms and conditions and was an one-off transaction.
- (vii) Distribution agency fee for provision of services such as product sales, purchases and marketing, business promotion, technical advice and logistic arrangement, etc were charged to an associated company. The charge rate was at a mutually agreed profit sharing ratio of the profit earned based on actual profit generated from all export orders from Vietnam of actual quantity shipped. This was an one-off transaction.
- (viii) General advice and consultancy services were rendered to associated companies, and charged at a monthly fee of HKD75,000 (equivalent to US\$9,615). These services were terminated by all relevant parties effective from 1 August 2009.
- (ix) Management fees for allocation of the administrative and management expenses incurred, and provision of administrative services, such as advice and assistance with regard to present and future operations and related activities were charged to associated companies. The charging rate for sharing expenses being incurred was fixed at US\$25,641 per month. Management fees for the provision of services were charged according to the nature of service rendered on a case by case basis. The fees are quoted and agreed by the respective parties before the services are rendered. All relevant parties agreed to terminate the sharing of expenses effective from 1 August 2008. The provision of administrative services arrangement was also terminated, effective from 1 May 2009.
- (x) Miscellaneous handling expenses were paid to an associated company for the preparation and finalising of suppliers' contracts. The charge rate was US\$1.5 per shipped quantity of the respective contracts. This was an one-off transaction.
- (xi) Professional fees were paid to a related party, Focus Capital Investment Inc ("Focus Capital"), for provision of consultancy services (including providing advice on investor relationship management and co-ordination services on matters relating to the fund raising exercise). The charge rate was US\$134,000 per annum. Focus Capital agreed to terminate the provision of their services effective from 1 May 2010.

Focus Capital is co-founded by Mr. Chow Kin San, a non-executive director of the Company at the relevant time. Mr. Chow Kin San is also a chief executive officer of Focus Capital.
- (xii) Sales and purchase of goods to and from a related party and a minority shareholder related to the trading of steel products. All trading transactions were made at similar terms as the Group grants to other independent third parties.
- (xiii) Rental income from and charges to a related party related to vessels. No more such kind of transactions occurred following the expiry of term of the time charter agreements in April 2010.
- (xiv) Consideration paid to a director for the acquisition of a second hand motor vehicle, the acquisition was transacted at a fair market value. This was a one-off transaction.

- (xv) Charged ballast bonus and compensation, etc from a related party. No more such kind of transactions occurred following the expiry of term of the time charter agreements in April 2010.
- (xvi) Charges paid to a related party for handling and arranging letters of credit. The charge rate was US\$10.13 per tonne of actual quantity shipped.

6 REVENUE

Turnover represents the sales value of goods supplied to customers net of value added tax or other sales taxes and is after allowance for returns, trade discounts and volume rebate.

	Year ended 30 April			Three months ended	
	2008	2009	2010	31 July	
	US\$	US\$	US\$	2009	2010
				US\$	US\$
				(Unaudited)	
Sales of steel products	479,969,874	523,692,353	388,087,008	103,734,371	113,768,086
Sales of coal	–	–	9,973,548	–	3,424,026
Provision of chartering services	–	–	4,962,864	–	–
	<u>479,969,874</u>	<u>523,692,353</u>	<u>403,023,420</u>	<u>103,734,371</u>	<u>117,192,112</u>

7 OTHER OPERATING INCOME

	Year ended 30 April			Three months ended	
	2008	2009	2010	31 July	
	US\$	US\$	US\$	2009	2010
				US\$	US\$
				(Unaudited)	
Agency fees received	178,489	97,541	–	–	–
Amortisation of deferred income	–	–	921	–	924
Ballast bonus	–	–	200,000	–	–
Compensation received from suppliers and a customer	47,410	622,206	2,975,659	–	509,407
Gain on disposal of a subsidiary	–	–	1,271	–	–
Management fee received	307,692	442,923	–	–	–
Negative goodwill on consolidation	6,261	–	–	–	–
Net realised gain on disposal of derivative financial instruments (futures on steel contracts)	–	–	–	39,575	–
Rental income	–	–	12,731	–	17,938
Service fees received	115,385	115,385	28,846	28,846	–
Sundry income	85,674	644,951	699,341	140,078	6,124
Transportation income	–	–	109,802	231	85,487
	<u>740,911</u>	<u>1,923,006</u>	<u>4,028,571</u>	<u>208,730</u>	<u>619,880</u>
Finance income					
– bank interest income	<u>382,923</u>	<u>150,224</u>	<u>23,753</u>	<u>6,335</u>	<u>3,656</u>
Total	<u>1,123,834</u>	<u>2,073,230</u>	<u>4,052,324</u>	<u>215,065</u>	<u>623,536</u>

8 GOODWILL ARISING FROM THE REVERSE ACQUISITION

On 10 March 2008, the Company completed the Reverse Acquisition of the Novo group of companies from the Vendors (Note 3(a)). The cost of the business combination was allocated against identifiable assets and liabilities of the Company with the excess accounted for as goodwill. The goodwill of US\$1,932,462 arising on the Reverse Acquisition was written off to the consolidated income statement as the Company did not have any operating business or revenue stream at that period.

9 FINANCE COSTS

	Year ended 30 April			Three months ended	
	2008	2009	2010	2009	2010
	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Bank charges	811,573	729,616	637,305	202,432	93,445
Interest on bank loans	1,909,582	2,135,821	435,267	230,934	165,336
	<u>2,721,155</u>	<u>2,865,437</u>	<u>1,072,572</u>	<u>433,366</u>	<u>258,781</u>

10 PROFIT BEFORE INCOME TAX

Profit before income tax is determined after charging the following:

	Year ended 30 April			Three months ended	
	2008	2009	2010	2009	2010
	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Auditors' remuneration	72,025	91,862	116,274	10,791	14,257
Depreciation	57,576	75,778	128,834	23,074	58,149
Distribution agency fees	6,354,701	9,431,577	6,104,407	2,717,620	412,251
Fair value loss on derivative financial instruments (futures on steel contracts)	–	–	24,176	–	–
Freight charges	35,758,298	25,601,611	28,894,410	423,309	2,492,560
Goodwill arising from the Reverse Acquisition written off	1,932,462	–	–	–	–
Loss on disposal of property, plant and equipment	–	35,244	–	–	–
Material costs recognised as an expense in cost of sales	415,096,454	477,702,393	342,855,101	94,956,900	110,488,449
Net exchange losses/(gains)	(227,167)	1,911,476	(384,738)	(36,944)	(43,662)
Net realised loss/(gain) on disposal of derivative financial instruments (futures on steel contracts)	–	–	84,347	–	(8,718)
Operating lease expenses					
– vessels	–	–	4,477,100	–	–
– leasehold land	–	–	11,451	–	5,748
Pre-operating expenses written off	–	6,909	7,064	–	–
Property, plant and equipment written off	–	10,333	–	–	–
Rental expenses	36,119	110,084	380,819	18,292	24,894
Staff costs (including directors' emoluments)					
– Salaries, wages and other benefits	1,687,074	2,283,960	3,201,848	448,865	632,062
– Retirement benefits schemes contributions	49,501	82,358	83,748	18,403	27,872
	<u>1,736,575</u>	<u>2,366,318</u>	<u>3,285,596</u>	<u>467,268</u>	<u>659,934</u>

11 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance was as follows:

Year ended 30 April 2008					
Directors'	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits scheme contributions	Total	
fees					
US\$	US\$	US\$	US\$	US\$	US\$
Executive Directors					
Yu Wing Keung Dicky	–	80,768	12,821	1,539	95,128
Chow Kin Wa	–	64,103	10,256	1,538	75,897
Non-executive Director					
Chow Kin San	–	–	–	–	–
Independent Directors					
Chua Keng Hiang	–	–	–	–	–
Tan Siok Chin	–	–	–	–	–
–	144,871	23,077	3,077	171,025	
Year ended 30 April 2009					
Directors'	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits scheme contributions	Total	
fees					
US\$	US\$	US\$	US\$	US\$	US\$
Executive Directors					
Yu Wing Keung Dicky	–	320,000	–	1,539	321,539
Chow Kin Wa	–	256,000	–	1,538	257,538
Non-executive Director					
Chow Kin San	–	–	–	–	–
Independent Directors					
Chua Keng Hiang	30,733	–	–	–	30,733
Tan Siok Chin	30,733	–	–	–	30,733
61,466	576,000	–	3,077	640,543	

Year ended 30 April 2010

	Directors' fees <i>US\$</i>	Salaries, allowances and benefits in kind <i>US\$</i>	Discretionary bonuses <i>US\$</i>	Retirement benefits scheme contributions <i>US\$</i>	Total <i>US\$</i>
Executive Directors					
Yu Wing Keung Dicky	–	836,773	–	1,539	838,312
Chow Kin Wa	–	477,474	–	1,538	479,012
Non-executive Director					
Chow Kin San	–	–	–	–	–
Independent Directors					
Chua Keng Hiang	31,600	–	–	–	31,600
Foo Teck Leong (appointed on 1 April 2010)	–	–	–	–	–
Tang Chi Loong (appointed on 1 July 2009)	25,329	–	–	–	25,329
Tan Siok Chin (resigned on 21 June 2009)	4,328	–	–	–	4,328
	<u>61,257</u>	<u>1,314,247</u>	<u>–</u>	<u>3,077</u>	<u>1,378,581</u>

Three months ended 31 July 2009 (Unaudited)

	Directors' fees <i>US\$</i>	Salaries, allowances and benefits in kind <i>US\$</i>	Discretionary bonuses <i>US\$</i>	Retirement benefits scheme contributions <i>US\$</i>	Total <i>US\$</i>
Executive Directors					
Yu Wing Keung Dicky	–	60,000	–	385	60,385
Chow Kin Wa	–	48,000	–	385	48,385
Non-executive Director					
Chow Kin San	–	–	–	–	–
Independent Directors					
Chua Keng Hiang	7,708	–	–	–	7,708
Tang Chi Loong (appointed on 1 July 2009)	2,498	–	–	–	2,498
Tan Siok Chin (resigned on 21 June 2009)	5,209	–	–	–	5,209
	<u>15,415</u>	<u>108,000</u>	<u>–</u>	<u>770</u>	<u>124,185</u>

Three months ended 31 July 2010

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits scheme contributions	Total
	US\$	US\$	US\$	US\$	US\$
Executive Directors					
Yu Wing Keung Dicky	–	60,000	–	385	60,385
Chow Kin Wa	–	48,000	–	385	48,385
Chow Kin San (appointed on 1 June 2010)	–	–	–	–	–
Independent Directors					
Chua Keng Hiang (resigned on 27 August 2010)	8,092	–	–	–	8,092
Foo Teck Leong (appointed on 1 April 2010)	10,351	–	–	–	10,351
Tang Chi Loong	7,734	–	–	–	7,734
	<u>26,177</u>	<u>108,000</u>	<u>–</u>	<u>770</u>	<u>134,947</u>

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group included 1, 2, 2, 2 and 2 directors during the years ended 30 April 2008, 2009 and 2010 and three months ended 31 July 2009 and 2010, respectively, details of whom are set out in Note 11. The aggregates of the emoluments in respect of the other 4, 3, 3, 3 and 3 individuals for the Relevant Periods were as follows:

	Year ended 30 April			Three months ended 31 July	
	2008	2009	2010	2009	2010
	US\$	US\$	US\$	US\$	US\$
Salaries and other emoluments	298,349	245,870	248,891	59,311	71,312
Discretionary bonuses	368,918	166,814	40,000	–	–
Retirement benefits scheme contributions	4,615	10,362	5,869	1,828	1,633
	<u>671,882</u>	<u>423,046</u>	<u>294,760</u>	<u>61,139</u>	<u>72,945</u>

The emoluments of these individuals are within the following bands:

	Number of individuals				
	Year ended 30 April			Three months ended 31 July	
	2008 US\$	2009 US\$	2010 US\$	2009 US\$	2010 US\$
Below HK\$1,000,000 (equivalent to below US\$128,205)	1	2	3	3	3
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$128,206 to US\$192,308)	1	–	–	–	–
HK\$1,500,001 to HK\$2,000,000 (equivalent to US\$192,309 to US\$256,410)	2	1	–	–	–
HK\$2,000,001 to HK\$2,500,000 (equivalent to US\$256,411 to US\$320,513)	–	–	–	–	–
	4	3	3	3	3

During the Relevant Periods, there were no amounts paid or payable by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 INCOME TAX

	Year ended 30 April			Three months ended 31 July	
	2008 US\$	2009 US\$	2010 US\$	2009 US\$	2010 US\$
	(Unaudited)				
Current tax – Hong Kong Profits Tax					
Provision for the year/period	1,186,856	89,905	1,558,461	278,101	162,422
(Over)/under-provision in respect of prior years/periods	–	(3,205)	4,919	–	–
	1,186,856	86,700	1,563,380	278,101	162,422
Current tax – Overseas					
Provision for the year/period	231,920	7,113	109,492	–	26,544
Under-provision in respect of prior years/periods	–	–	18,359	–	–
	231,920	7,113	127,851	–	26,544
	1,418,776	93,813	1,691,231	278,101	188,966

The income tax expense on the results of the Relevant Periods varies from the amount of income tax determined by applying the applicable corporate income tax rate to profit before income tax due to the following factors:

	Year ended 30 April			Three months ended	
	2008	2009	2010	31 July	
	US\$	US\$	US\$	US\$	US\$
				(Unaudited)	
Profit before income tax	13,028,970	1,660,601	13,707,562	4,213,085	1,763,505
Tax at the domestic rates applicable to profit in the countries in which the Group operates	1,670,610	(98,182)	1,579,704	263,028	158,458
Expenses not deductible for tax purposes	16,575	79,932	213,918	35,300	38,123
Income not subject to tax	(83,351)	(19,724)	(87,130)	(491)	(6,493)
(Income)/loss subject to concessionary tax rates	(185,617)	81,085	–	–	–
Tax effect of temporary differences not recognised	–	46,046	(24,863)	(19,736)	(1,122)
Tax effect of unused tax losses not recognised	–	–	11,289	–	–
Singapore statutory stepped exemption	–	–	(22,678)	–	–
(Over)/under-provision of tax in prior years	–	(3,205)	23,278	–	–
Others	559	7,861	(2,287)	–	–
Actual tax expense	1,418,776	93,813	1,691,231	278,101	188,966

Tax charged on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing relevant legislation, interpretation and practices.

Pursuant to the Income Tax Act of Singapore, members of the Group which are incorporated in Singapore are subjected to statutory income tax rates of 18%, 17%, 17%, 17% and 17% for the years ended 30 April 2008, 2009 and 2010 and three months ended 31 July 2009 and 2010 respectively.

A subsidiary of the Company, Novo Commodities Pte. Ltd. was awarded Global Trader Programme status in Singapore for a period of 5 years from 1 May 2007. All income derived from qualifying trade, as defined in the award, is subject to concessionary income tax rate of 10%.

Pursuant to the Inland Revenue Ordinance of Hong Kong, assessable profits of members of the Group arising in or derived from Hong Kong are subjected to the statutory income tax rate of 16.5% for the Relevant Periods.

Members of the Group incorporated in the PRC are subject to income tax on their taxable income at a rate of 25% for the Relevant Periods under the new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007.

Members of the Group incorporated or re-registered under the Business Companies Act 2004 (as amended) of the BVI and incorporated under the Dubai Multi Commodities Centre Company Regulations of Dubai, United Arab Emirates are exempted from payment of income taxes.

No provision for deferred taxation has been made for the Relevant Periods as there were no material temporary differences.

14 OTHER COMPREHENSIVE (EXPENSES)/INCOME

Tax effects relating to each component of other comprehensive (expenses)/income

	Year ended 30 April 2008			Year ended 30 April 2009			Year ended 30 April 2010		
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
	before tax	Tax	net-of-tax	before tax	Tax	net-of-tax	before tax	Tax	net-of-tax
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Exchange differences on translation of the Group's overseas operations	(694)	-	(694)	(2,817)	-	(2,817)	4,030	-	4,030

	Three months ended 31 July 2009			Three months ended 31 July 2010		
	Amount	Amount	Amount	Amount	Amount	Amount
	before tax	Tax	net-of-tax	before tax	Tax	net-of-tax
	US\$	US\$	US\$	US\$	US\$	US\$
Exchange differences on translation of the Group's overseas operations	(1,539)	-	(1,539)	41,453	-	41,453

15 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of US\$nil (unaudited), loss of US\$111,881, profit of US\$3,062,513, profit of US\$5,238,192, profit of US\$2,886 (unaudited) and loss of US\$55,086 for the periods ended 10 March 2008 and 30 April 2008 respectively, and years ended 30 April 2009 and 2010 and three months ended 31 July 2009 and 2010 respectively which has been dealt with in the Financial Information of the Company.

16 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated based on the Group's profit for the Relevant Periods attributable to the equity holders of the Company divided by the number of ordinary shares issued by the legal parent to the owners of the legal subsidiary. In 2008, the number of ordinary shares is deemed to be issued at the beginning of that period, and the number of ordinary shares outstanding from the Reverse Acquisition date to the end of that period.

	Year ended 30 April			Three months ended	
	2008	2009	2010	2009	2010
	US\$	US\$	US\$	US\$	US\$
Profit attributable to equity holders of the Company	11,610,156	1,586,621	11,775,484	3,918,144	1,496,791

	Year ended 30 April		Three months ended		
	2008	2009	2010	31 July	
	'000	'000	'000	2009	2010
	Number of ordinary shares				
Weighted average number of ordinary shares					
Issued ordinary shares at beginning of year	461,033	631,379	608,099	608,099	683,220
Effect of new shares issued	3,214	–	14,203	–	–
Effect of conversion of convertible loan	1,747	–	–	–	–
Effect of disposal of treasury shares	–	–	4,441	–	–
Effect of acquisition of treasury shares	–	(6,724)	(7,895)	(411)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>465,994</u>	<u>624,655</u>	<u>618,848</u>	<u>607,688</u>	<u>683,200</u>

Due to the Reverse Acquisition in March 2008, the number of ordinary shares outstanding from the beginning of year 2008 to the acquisition date for purpose of calculating the weighted average number of ordinary shares for 2008 is deemed to be the number of ordinary shares issued by the Company to the Vendors of Novo group of companies and their nominee, and the number of ordinary shares outstanding from the acquisition date to the end of 30 April 2008 is actual number of ordinary shares of the Company outstanding during 2008.

There were no diluted ordinary shares in existence for the Relevant Periods.

17 PROPERTY, PLANT AND EQUIPMENT

	Group							Interests in leasehold land held for own use under operating lease US\$	Total US\$
	Leasehold land and buildings US\$	Furniture and equipment US\$	Computer equipment US\$	Renovation US\$	Motor vehicles US\$	Construction in progress US\$	Sub-total US\$		
Cost									
At 1 May 2007 (Unaudited)	1,369,974	15,439	6,177	38,255	47,324	-	1,477,169	-	1,477,169
Additions	-	10,004	17,215	36,972	-	-	64,191	-	64,191
Acquisition of a subsidiary	-	32,165	3,613	-	-	-	35,778	-	35,778
Exchange realignment	-	(1,156)	(133)	-	-	-	(1,289)	-	(1,289)
At 30 April 2008	1,369,974	56,452	26,872	75,227	47,324	-	1,575,849	-	1,575,849
Additions	-	15,203	16,426	1,518	106,724	-	139,871	-	139,871
Disposals	-	(35,992)	(1,358)	-	-	-	(37,350)	-	(37,350)
Written off	-	(7,697)	(4,037)	(5,113)	-	-	(16,847)	-	(16,847)
Exchange realignment	-	(5,126)	(691)	-	-	-	(5,817)	-	(5,817)
At 30 April 2009	1,369,974	22,840	37,212	71,632	154,048	-	1,655,706	-	1,655,706
Additions	4,437,587	8,314	32,430	320	175,817	463,788	5,118,256	1,146,904	6,265,160
Exchange alignment	-	184	314	-	-	-	498	-	498
At 30 April 2010	5,807,561	31,338	69,956	71,952	329,865	463,788	6,774,460	1,146,904	7,921,364
Additions	-	1,500	749	-	-	13,421	15,670	-	15,670
Exchange alignment	-	(54)	(101)	-	380	3,478	3,703	8,600	12,303
At 31 July 2010	5,807,561	32,784	70,604	71,952	330,245	480,687	6,793,833	1,155,504	7,949,337
Accumulated depreciation and amortisation									
At 1 May 2007 (Unaudited)	25,687	1,144	289	3,087	789	-	30,996	-	30,996
Charge for the year	30,824	3,717	3,610	9,961	9,464	-	57,576	-	57,576
Exchange realignment	-	(3)	(3)	-	-	-	(6)	-	(6)
At 30 April 2008	56,511	4,858	3,896	13,048	10,253	-	88,566	-	88,566
Charge for the year	30,824	6,815	8,794	14,825	14,520	-	75,778	-	75,778
Disposals	-	(1,394)	(145)	-	-	-	(1,539)	-	(1,539)
Written off	-	(3,333)	(1,221)	(1,960)	-	-	(6,514)	-	(6,514)
Exchange realignment	-	(99)	(53)	-	-	-	(152)	-	(152)
At 30 April 2009	87,335	6,847	11,271	25,913	24,773	-	156,139	-	156,139
Charge for the year	47,466	5,117	12,723	14,331	49,197	-	128,834	11,451	140,285
Exchange alignment	-	15	78	-	20	-	113	18	131
At 30 April 2010	134,801	11,979	24,072	40,244	73,990	-	285,086	11,469	296,555
Charge for the period	32,668	1,575	3,811	3,598	16,497	-	58,149	5,748	63,897
Exchange alignment	-	(5)	(36)	-	160	-	119	115	234
At 31 July 2010	167,469	13,549	27,847	43,842	90,647	-	343,354	17,332	360,686
Carrying amount									
At 31 July 2010	5,640,092	19,235	42,757	28,110	239,598	480,687	6,450,479	1,138,172	7,588,651
At 30 April 2010	5,672,760	19,359	45,884	31,708	255,875	463,788	6,489,374	1,135,435	7,624,809
At 30 April 2009	1,282,639	15,993	25,941	45,719	129,275	-	1,499,567	-	1,499,567
At 30 April 2008	1,313,463	51,594	22,976	62,179	37,071	-	1,487,283	-	1,487,283

- (a) At the balance sheet date, property, plant and equipment with the following carrying amounts were pledged to certain banks for banking facilities granted (Notes 23 and 24):

	Group			
	2008	At 30 April		At 31 July
	<i>US\$</i>	2009	2010	2010
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Leasehold land and buildings	1,313,463	–	5,672,760	5,640,092
	<u>1,313,463</u>	<u>–</u>	<u>5,672,760</u>	<u>5,640,092</u>

- (b) The analysis of carrying amount of leasehold properties was as follows:

	Group			
	2008	At 30 April		At 31 July
	<i>US\$</i>	2009	2010	2010
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
In Hong Kong				
– long leases	1,313,463	1,282,639	5,672,760	5,640,092
Outside Hong Kong				
– long leases	–	–	1,135,435	1,138,172
	<u>1,313,463</u>	<u>1,282,639</u>	<u>6,808,195</u>	<u>6,778,264</u>
Representing:				
Leasehold land and buildings	1,313,463	1,282,639	5,672,760	5,640,092
Interest in leasehold land held for own use under operating leases	–	–	1,135,435	1,138,172
	<u>1,313,463</u>	<u>1,282,639</u>	<u>6,808,195</u>	<u>6,778,264</u>

- (c) At 31 July 2010, no additions of property, plant and equipment were funded by Tianjin Economic Technological Development Area (TEDA) Construction Development Bureau (30 April 2010: US\$183,375; 30 April 2009: Nil; 30 April 2008: Nil).

18 INVESTMENT IN ASSOCIATED COMPANIES

- (a) Investment in associated companies comprised:

	Group			
	2008	At 30 April		At 31 July
	<i>US\$</i>	2009	2010	2010
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Unquoted equity shares, at cost	396,438	396,438	885,861	885,861
Share of post acquisition profits/(losses), net	243,437	(370,317)	(422,308)	(443,996)
Exchange differences	169	169	169	169
	<u>640,044</u>	<u>26,290</u>	<u>463,722</u>	<u>442,034</u>

(b) Details of associated companies at the end of each reporting period were as follows:

Name	Place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/paid up registered capital	Attributable equity interest held by the Group				Principal activities	Note
			At 30 April		At 31 July			
			2008	2009	2010	2010		
Held by Global Wealth Trading Limited								
Rico Group Limited	BVI, 28 February 2005, limited liability company	US\$100	30%	30%	30%	30%	Investment holding	(i)
Novostal Pte. Ltd.	Singapore, 12 July 2005, limited liability company	S\$2,000,000	30%	30%	30%	30%	Trading of steel products	(ii)
Iron And Steel Resources Limited 新通資源有限公司 ("ISRL")	Hong Kong, 11 March 2005, limited liability company	HK\$10,000	45%	45%	–	–	Trading and investment	(iii), (iv), (vii)
Held by Rico Group Limited								
Novostal Limited 新鋼鐵有限公司	Hong Kong, 11 March 2005, limited liability company	HK\$15,600,000	30%	30%	30%	30%	Trading of steel products	(iv)
Held by ISRL								
Xintong (Taizhou) Steel Products Limited 新通(泰州)金屬製品 有限公司	PRC, 15 August 2008, wholly foreign-owned enterprise	US\$nil	–	45%	–	–	Manufacturing of metal and scrap steel	(v), (vi), (vii)
Held by Novo Commodities PTE Ltd.								
POS-SEA Pte. Ltd.	Singapore, 1 June 2009, limited liability company	US\$2,000,000	–	–	24.5%	24.5%	Acting as commission agents for procurement of steel and materials	(viii)

Note:

- (i) No audited financial statements were prepared for this company as it is not required to issue audited financial statements under the local statutory requirement.
 - (ii) Audited by Tan, Teo & Partners PAC for the Relevant Periods.
 - (iii) On 7 November 2007, the company's name was changed from Rico Steel Limited to Iron And Steel Resources Limited 新通資源有限公司 ("ISRL").
 - (iv) Audited by Shom & Yu CPA Limited for the Relevant Periods.
 - (v) No audited financial statements were prepared for this company since its date of establishment on 15 August 2008 and it was disposed of on 30 April 2010 together with its immediate holding company, ISRL.
 - (vi) The English name of this company represents the best efforts made by management of the Company to directly translate its Chinese name. It does not have any official English name registered.
 - (vii) For owning a controlling interest in enterprise invested by the Group, on 12 January 2010, the Group acquired an additional 10% of the issued and paid-up share capital, comprising of 1,000 shares at HKD1 each, in ISRL, from a minority shareholder, Hua Xin Business Consultancy Ltd., for a cash consideration of US\$128 (equivalent to HKD1,000). Following this transaction, the effective shareholding in ISRL and its wholly-owned subsidiary, Xintong (Taizhou) Steel Products Limited, meant that they became subsidiaries of the Group.
 - (viii) Audited by UHY Lee Seng Chan & Co. for the Relevant Periods.
- (c) The summarised financial information of the Group's associates not adjusted for the percentage of ownership held by the Group was as follows:

	Group			
	At 30 April		At 31 July	
	2008	2009	2010	2010
	US\$	US\$	US\$	US\$
Revenue	65,029,288	118,998,260	16,738,990	2,327,038
Loss for the year/period	(425,080)	(3,748,696)	(336,208)	(179,990)
Total assets	6,220,974	329,046	5,791,125	5,319,865
Total liabilities	(4,253,873)	(2,110,641)	(5,880,351)	(5,441,154)

The Group's share of losses has exceeded its interests in following associated companies. The Group has not recognised losses relating to these associated companies as set out below:

	Unrecognised losses				Accumulated unrecognised losses			
	Year ended 30 April			At 31 July	At 30 April			At 31 July
	2008	2009	2010	2010	2008	2009	2010	2010
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Rico Group Limited	49,161	502,865	(43,409)	14,558	49,161	552,026	508,617	523,175
Novostal Pte. Ltd.	-	-	85,804	681	-	-	85,804	86,485
ISRL	875	11,985	(12,860)	-	875	12,860	-	-
	50,036	514,850	29,535	15,239	50,036	564,886	594,421	609,660

19 INVESTMENT IN SUBSIDIARIES

	Company				
	At 10 March 2008 US\$ (Unaudited)	At 30 April 2008 US\$	At 30 April 2009 US\$	At 30 April 2010 US\$	At 31 July 2010 US\$
Unlisted shares, at cost	–	79,766,215	79,766,233	79,588,416	79,588,416

Details of subsidiaries at the end of each reporting period are as follows:

Name	Place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/paid up registered capital	Attributable equity interest of the Company					Principal activities	Note
			At	At	At	At	At		
			10 March 2008	30 April 2008	30 April 2009	30 April 2010	31 July 2010		
Held by the Company									
Novo Commodities Limited 新源商品有限公司 ("NCL (HK)")	Hong Kong, 31 January 2005, limited liability company	HK\$8,000,000	–	100%	100%	100%	100%	Trading and investment	(a)
Nova Maritime (B.V.I.) Limited	BVI, 23 May 2005, limited liability company	US\$10	–	100%	100%	100%	100%	Shipping brokerage	(b)
Novo Overseas Holdings Pte. Ltd. ("NOHPL")	Singapore, 1 June 2006, limited liability company	S\$200,000	–	100%	100%	100%	100%	Investment holding	(c), (j)
Novo Investment Limited 香港新源投資有限 公司 ("NIL (HK)")	Hong Kong, 27 October 2006, limited liability company	HK\$10,000	–	100%	100%	–	–	Consultancy services	(a), (k)
Novo Commodities Pte. Ltd.	Singapore, 7 July 2005, limited liability company	S\$200,000	–	100%	100%	100%	100%	Trading and investment	(c)
Global Wealth Trading Limited ("GWTL")	BVI, 3 January 1996, limited liability company	US\$10	–	100%	100%	100%	100%	Investment holding	(b)
Novo Commodities Limited	BVI, 8 December 2005, limited liability company	US\$10	–	100%	100%	100%	100%	Trading and investment	(b)
Novo Development Limited ("NDL (BVI)")	BVI, 16 July 2008, limited liability company	US\$10	–	–	100%	100%	100%	Investment holding	(b)

Name	Place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/paid up registered capital	Attributable equity interest of the Company					Principal activities	Note
			At	At	At	At	At		
			10 March 2008	30 April 2008	30 April 2009	30 April 2010	31 July 2010		
Iron Shipping Limited	BVI, 8 April 2009, limited liability company	US\$10	–	–	100%	100%	100%	Shipping brokerage	(b)
Novo Resources Limited 新源物料有限公司	Hong Kong, 16 September 2009, limited liability company	HK\$1,000,000	–	–	–	100%	100%	Trading and investment	(a)
Novosteel DMCC	United Arab Emirates, 27 March 2007, limited liability company	AED200,000	–	100%	–	–	–	Trading and investment	(i), (t)
Held by NCL (HK)									
Novo Commodities Private Limited	Republic of India, 22 November 2007, limited liability company	RS1,000,000	–	51%	51%	51%	51%	Trading and investment	(e), (l)
Held by GWTL									
Xinghua Holdings Limited (“XHL”)	BVI, 24 October 2007, limited liability company	US\$50,000	–	100%	100%	100%	100%	Investment holding	(b), (u)
Iron And Steel Resources Limited 新通資源有限公司 (“ISRL”)	Hong Kong, 11 March 2005, limited liability company	HK\$10,000	–	–	–	–	–	Trading and investment	(f), (p)
Qiang Hua Trading Limited 強華貿易有限公司 (“QHTL”)	Hong Kong, 21 April 2008, limited liability company	HK\$10	–	100%	100%	100%	100%	Trading and investment	(f)
Held by NDL (BVI)									
Novo Development Limited 新源鋼鐵發展有限 公司 (“NDL (HK)”)	Hong Kong, 25 July 2008, limited liability company	HK\$10	–	–	100%	100%	100%	Trading and investment	(f)
Held by XHL									
Novo Iron Ore Limited 新源鐵礦有限公司	Hong Kong, 14 August 2008, limited liability company	HK\$10	–	–	100%	100%	100%	Trading and investment	(f)
Xinghua Holdings (China) Limited 興華控股(中國)有限 公司 (“XHCL”)	Hong Kong, 22 November 2007, limited liability company	US\$1,000,000	–	100%	100%	–	–	Deregistered	(f), (m)

Name	Place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/paid up registered capital	Attributable equity interest of the Company					Principal activities	Note
			At	At	At	At	At		
			10 March 2008	30 April 2008	30 April 2009	30 April 2010	31 July 2010		
Held by QHTL									
Qiang Hua (Shanghai) Trading Limited 上海強華貿易有限公司 ("QHSTL")	PRC, 11 September 2008, sino-foreign joint-venture enterprise	RMB20,000,000	–	–	80%	80%	80%	Trading and investment	(g), (h)
Held by NDL (HK)									
Novo Development (Tianjin) Limited 新源鋼鐵發展(天津)有限公司	PRC, 21 January 2009, wholly foreign-owned enterprise	US\$2,285,961	–	–	100%	100%	100%	Process and sales of steel and metal products	(h), (n)
Held by NOHPL									
Novosteel DMCC	United Arab Emirates, 27 March 2007, limited liability company	AED200,000	–	–	100%	100%	100%	Trading and investment	(i), (t)
Novo Steel Limited ("NSL (BVI)")	BVI, 15 June 2009, limited liability company	US\$10	–	–	–	100%	100%	Investment holding	(b)
Novo Resources Limited	BVI, 10 August 2009, limited liability company	US\$10	–	–	–	100%	100%	Trading and investment	(b)
Novo Shipping Ltd ("NSL")	BVI, 3 September 2009, limited liability company	US\$10	–	–	–	100%	100%	Trading and investment	(b)
Novo Commodities PTE Ltd ("NCPL (BVI)")	BVI, 21 August 2008, limited liability company	US\$10	–	–	–	100%	100%	Investment holding	(b), (o)
Novo Investment Limited ("NIL (BVI)")	BVI, 21 December 2009, limited liability company	US\$10	–	–	–	100%	100%	Investment holding	(b)
Held by NIL (BVI)									
NIL (HK)	Hong Kong, 27 October 2006, limited liability company	HK\$10,000	–	–	–	100%	100%	Consultancy services	(a), (k)
NCPL (BVI)	BVI, 21 August 2008, limited liability company	US\$10	–	–	100%	–	–	Investment holding	(b), (o)

Name	Place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/paid up registered capital	Attributable equity interest of the Company					Principal activities	Note
			At	At	At	At	At		
			10 March 2008	30 April 2008	30 April 2009	30 April 2010	31 July 2010		
Held by ISRL									
Xintong (Taizhou) Steel Products Limited 新通(泰州)金屬製品 有限公司	PRC, 15 August 2008, wholly foreign- owned enterprise	US\$nil	-	-	-	-	-	Manufacturing of metal	(h), (q)
Held by NSL (BVI)									
Novo Steel (HK) Limited 新源鋼鐵(香港)有限 公司	Hong Kong, 3 July 2009, limited liability company	HK\$1,000,000	-	-	-	51%	51%	Trading and investment	(a)
Held by NSL									
Eastern Bulk Pte. Ltd.	Singapore, 17 September 2009, limited liability company	S\$1,000,000	-	-	-	70%	70%	Time chartering and voyage chartering	(c)
Held by QHSTL									
Hua Qiang (Shanghai) Trading Limited 上海華強貿易有限 公司	PRC, 22 February 2010, limited liability company	RMB5,000,000	-	-	-	80%	80%	Trading and investment	(d), (h)
Held by XHCL									
Zhangjiagang Free Trade Zone Xingyongda International Trading Co., Ltd. 張家港保稅區興永 達國際貿易 有限公司	PRC, 8 January 2008, wholly foreign- owned enterprise	US\$nil	-	100%	-	-	-	Trading and investment	(h),(r)
Zhangjiagang Xinghua Slitting & Cutting Co., Ltd. 張家港興華剪切 加工有限公司	PRC, 8 January 2008, wholly foreign- owned enterprise	US\$nil	-	100%	-	-	-	Manufacturing and sales of metal products	(h),(s)

Note:

- (a) Audited by Baker Tilly Hong Kong Limited for the Relevant Periods.
- (b) No audited financial statements were prepared for these companies as they are not required to issue audited financial statements under the local statutory requirements.
- (c) Audited by Baker Tilly TFWLCL for the Relevant Periods.
- (d) No audited financial statements were prepared for these companies as they were not due for audit under the local statutory requirements.

- (e) Audited by B.N. Misra & Co. for the Relevant Periods.
- (f) Audited by Shom & Yu CPA Limited for the Relevant Periods or since their respective dates of establishment, where this is a shorter period.
- (g) Audited by 京都天華會計師事務所有限公司上海分所 (前稱天華會計師事務所有限公司上海分所) since its date of incorporation.
- (h) The English names of these companies represent the best efforts made by management of the Company to directly translate their Chinese names as they do not have any official English names registered.
- (i) Audited by Baker Tilly MKM Chartered Accountants for the year ended 30 April 2009. No audited financial statements were prepared for the company for the period from 27 March 2007 (date of incorporation) to 30 April 2008 as it is not required under the local statutory requirements.
- (j) On 12 December 2008, the company's name was changed from Nova Shipping Pte. Ltd. to Novo Overseas Holdings Pte. Ltd.
- (k) They represented the same entity. For re-organising the Group's structure, on 12 January 2010, NIL (BVI) acquired 100% of the equity interest in NIL (HK) from the Company at a cash consideration of US\$306,022.
- (l) For expanding the Group's sourcing network, on 25 March 2008, NCL (HK) allotted 510,000 ordinary shares (the "shares") of Novo Commodities Private Limited at a cash consideration of Indian Rupee 510,000 (equivalent to US\$13,077). The shares represents 51% of the total issued and fully paid-up share capital of Novo Commodities Private Limited.

Negative goodwill of US\$6,261 arising from the acquisition has been recognised directly in the consolidated income statement.
- (m) Dissolved by deregistration on 25 September 2009.
- (n) Audited by 天津華翔聯合會計師事務所 since its date of incorporation.
- (o) For re-organising the Group's structure, on 2 November 2009, NIL (BVI) disposed of the entire issued share capital of Novo Commodities PTE Ltd. to NOHPL at a cash consideration of US\$10.
- (p) This company has been disposed of at a consideration of US\$705 (equivalent to HKD5,500) on 30 April 2010 together with its subsidiary, Xintong (Taizhou) Steel Products Limited 新通(泰州)金屬製品有限公司, as detailed in note (q).
- (q) No audited financial statements were prepared for this company since its date of establishment on 15 August 2008. It was disposed of on 30 April 2010 together with its immediate holding company, Iron And Steel Resources Limited (新通資源有限公司).
- (r) Deregistered on 5 February 2009.
- (s) Deregistered on 5 January 2009.
- (t) They represented the same entity. For re-organising the Group's structure, on 6 April 2009, NOHPL acquired 100% of the equity interest in Novosteel DMCC from the Company at a cash consideration of S\$3 (approximately equivalent to US\$2).
- (u) For owning a controlling interest in enterprise invested by the Group, on 21 April 2008, GWTL acquired an additional 50% of issued and paid-up share capital, comprising 25,000 shares at US\$1 each, in XHL, from another shareholder, Mayford Investments Limited, for a cash consideration of US\$499,359.

20 INVENTORIES

	Group			
	At 30 April		At 31 July	
	2008	2009	2010	2010
	US\$	US\$	US\$	US\$
Merchandise	–	–	26,527,884	25,271,504

At 31 July 2010, the inventories with carrying amount of US\$10,772,356 (30 April 2010: US\$7,154,900; 30 April 2009: Nil; 30 April 2008: Nil) were pledged as securities for banking facilities granted to the Group (Notes 23 and 24).

21 TRADE AND OTHER RECEIVABLES

	Group				Company				
	At 30 April		At 31 July		At 10 March		At 30 April		At 31 July
	2008	2009	2010	2010	2008	2008	2009	2010	2010
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
(Unaudited)									
Advance payment to suppliers	8,692,427	2,906,767	3,877,047	1,948,546	–	–	–	–	–
Trade and bills receivables	36,711,700	31,268,943	10,006,164	20,866,693	–	–	–	–	–
	45,404,127	34,175,710	13,883,211	22,815,239	–	–	–	–	–
Dividend receivable from subsidiaries	–	–	–	–	–	–	3,080,000	2,600,000	2,600,000
Deposits	42,738	21,733	31,920	34,053	–	–	–	–	–
Reverse Acquisition expenses prepaid	–	–	–	–	1,669,788	–	–	–	–
Temporary payment	–	271,400	288,933	258,583	–	–	–	–	–
Prepayments	819,433	1,313,654	809,775	1,733,099	–	–	6,320	204,515	478,203
Other receivables	1,132,127	840,756	3,933,956	4,391,199	–	–	–	31,897	23,129
Non-trade balances due from									
– subsidiaries	–	–	–	–	–	3,627,302	18,579,332	31,137,183	32,389,260
– associated companies	715,076	687,679	2,018,459	2,018,460	–	–	–	–	–
– directors	2,254	–	–	–	–	–	–	–	–
– minority shareholder	–	–	1,156,044	1,622,360	–	–	–	–	–
Trade balances due from									
– related companies	–	–	2,557,204	2,328,912	–	–	–	–	–
	2,711,628	3,135,222	10,796,291	12,386,666	1,669,788	3,627,302	21,665,652	33,973,595	35,490,592
	48,115,755	37,310,932	24,679,502	35,201,905	1,669,788	3,627,302	21,665,652	33,973,595	35,490,592

The receivables from subsidiaries, associated companies, directors, related companies and a minority shareholder are unsecured, interest free and repayable on demand.

Trade and bills receivables are due from the date of invoice for international trading performed by subsidiaries, Novo Commodities Limited and Novo Commodities Pte. Ltd. For domestic trading in Hong Kong which performed by a subsidiary, Novo Steel (HK) Ltd, the receivables are due from 30 days after the date of delivery. Further details on the Group's credit policy are set out in note 35(a).

The ageing analysis of trade and bills receivables was as follows:

	Group			
	At 30 April		At 31 July	
	2008 <i>US\$</i>	2009 <i>US\$</i>	2010 <i>US\$</i>	2010 <i>US\$</i>
Current	35,787,690	29,001,987	8,113,576	17,440,373
Less than 1 month past due	–	2,266,956	1,461,067	3,065,760
1 to 3 months past due	924,010	–	289,658	229,947
3 to 12 months past due	–	–	141,863	130,613
Over 12 months past due	–	–	–	–
Amount past due	924,010	2,266,956	1,892,588	3,426,320
	<u>36,711,700</u>	<u>31,268,943</u>	<u>10,006,164</u>	<u>20,866,693</u>

Trade and bills receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered by directors as fully recoverable.

Trade and other receivables denominated in currencies other than the functional currencies of the respective entities were as follows:

	Group				Company			
	At 30 April		At 31 July		At 30 April		At 31 July	
	2008 <i>US\$</i>	2009 <i>US\$</i>	2010 <i>US\$</i>	2010 <i>US\$</i>	2008 <i>US\$</i>	2009 <i>US\$</i>	2010 <i>US\$</i>	2010 <i>US\$</i>
	(Unaudited)							
HKD	546,246	446,299	1,492,762	1,586,345	–	–	169,462	424,149
S\$	180,094	17,684	77,623	71,489	1,669,788	2,588,394	6,320	57,186
Indian Rupee	23,252	4,154	–	–	–	–	–	–
UAE Dirham	–	1,062	9,502	14,164	–	–	4,084	9,807
Chinese Renminbi	13,163	2,534,384	(7,887)	113,039	–	–	–	–

At 31 July 2010, trade and bills receivables amounted to US\$5,136,264 (30 April 2010: US\$2,424,684; 30 April 2009: US\$18,626,569; 30 April 2008: US\$29,558,819) were pledged as securities for banking facilities granted to the Group (Notes 23 and 24).

22 CASH AND CASH EQUIVALENTS

	Group				Company					
	At 30 April		2010	At	At	At 30 April			At	
	2008	2009		31 July	10 March	2008	2009	2010	31 July	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
(Unaudited)										
Cash on hand and at bank (unpledged portion)	21,574,123	14,627,609	13,047,929	19,473,911	501,676	18,311,705	239,962	1,864,706	327,069	
Cash at bank (pledged portion)	94,981	–	–	87,938	–	–	–	–	–	
Fixed deposits (unpledged portion)	124,831	2,265,021	–	–	–	–	–	–	–	
Fixed deposits (pledged portion)	8,422,558	4,067,721	18,964,532	4,837,966	–	–	–	–	–	
	<u>30,216,493</u>	<u>20,960,351</u>	<u>32,012,461</u>	<u>24,399,815</u>	<u>501,676</u>	<u>18,311,705</u>	<u>239,962</u>	<u>1,864,706</u>	<u>327,069</u>	

Group

At 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010, the fixed deposits matured within 2 to 7 days, 2 to 160 days, 1 to 152 days and 2 to 60 days respectively from each of the balance sheet dates, and have effective interest rates of 0.920% to 4.445%, 0.005% to 3.920%, 0.01% to 0.28% and 0.01% to 0.35% per annum respectively.

The Group has pledged its fixed deposits and certain cash at bank to banks for banking facilities granted to the Group (Notes 23 and 24).

The cash at bank at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010 generally earns interest rates at 0.010% to 1.940%, 0.005% to 2.750%, 0.0001% to 0.25% and 0.010% to 2.260% per annum respectively.

Cash and bank balances denominated in currencies other than the functional currencies of the respective entities were as follows:

	Group				Company					
	At 30 April		2010	At	At	At 30 April			At	
	2008	2009		31 July	10 March	2008	2009	2010	31 July	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
(Unaudited)										
US\$	–	–	410,740	2,298,391	–	–	–	–	–	
S\$	18,449,155	1,052,033	14,504,250	14,444,156	501,676	18,301,705	229,962	1,725,575	205,030	
Euro	4,164,262	264,898	251,419	247,779	–	–	–	–	–	
HKD	79,401	39,366	161,387	291,914	–	–	–	–	–	
UAE Dirham	64,866	45,023	16,328	15,265	–	–	–	–	–	
Indian Rupee	30,614	2,978	12	11	–	–	–	–	–	
Australia										
Dollars	–	910	1,098	1,067	–	–	–	–	–	
Chinese										
Renminbi	7,986	400,984	7,607	8,175	–	–	–	–	–	
Macau										
Patacas	–	–	254	254	–	–	–	–	–	
	<u>–</u>	<u>–</u>	<u>254</u>	<u>254</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	

Conversion of Chinese official currency, Renminbi, into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23 BORROWINGS

	Group			
	At 30 April		At 31 July	
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Non-current				
<i>Secured</i>				
Mortgage loan	303,483	–	2,600,468	2,512,421
Current				
<i>Secured</i>				
Bank loans	–	–	982,890	5,204,856
Freight loans	567,614	–	–	–
Import bills loans	3,633,897	–	–	–
Inventory loans	–	–	4,700,000	10,231,201
Mortgage loan	129,925	–	361,497	360,054
Trust receipt loans	–	–	5,260,227	600,000
Total current borrowings	4,331,436	–	11,304,614	16,396,111
Total borrowings	4,634,919	–	13,905,082	18,908,532

Borrowings denominated in currencies other than the functional currencies of the respective entities are as follows:

HKD	433,408	–	2,961,965	2,872,475
US\$	–	–	–	4,214,596

The borrowings are secured by:

- (i) legal pledges of the Group's leasehold land and buildings (at 30 April 2008, 30 April 2010 and 31 July 2010) (Note 17);
- (ii) legal pledges of the Group's fixed deposits and certain cash at bank (Note 22);
- (iii) personal guarantees from certain directors (at 30 April 2008 only);
- (iv) pledges of assets (cargo and related proceeds) underlying the financial transaction;
- (v) corporate cross guarantees between subsidiaries when appropriate; and
- (vi) corporate guarantees of the Company (at 30 April 2009, 30 April 2010 and 31 July 2010).

Freight loans at 30 April 2008 were repayable within 10 days from commencement date. Mortgage loan at 30 April 2008 was repayable by monthly instalments and was fully settled in the year ended 30 April 2009. Mortgage loan at 30 April 2010 was repayable in 96 equal monthly instalments of US\$32,417 each commencing 29 April 2010. Mortgage loan at 31 July 2010 was repayable in 93 equal monthly instalments of US\$32,658 each commencing 29 July 2010. Bank loan at 30 April 2010 was repayable within 167 days from the date of drawdown. Bank loans at 31 July 2010 were repayable within 167 days from the date of drawdown, and repayable within 75 days from the date

of drawdown respectively. Import bills loans at 30 April 2008 were repayable within 55 days from the grant date. Inventory loans of 30 April 2010 and of 31 July 2010 were repayable within 90 days and 150 days from the commencement date respectively. Trust receipt loans of 30 April 2010 and of 31 July 2010 were repayable within 90 days and 60 days from the grant date respectively.

The weighted average interest rates at the balance sheet dates were as follows:

	Group			
	At 30 April		At 31 July	
	2008	2009	2010	2010
	%	%	%	%
Bank loans	–	–	4.62	2.48
Freight loans	4.67	–	–	–
Import bills loans	4.59	–	–	–
Inventory loans	–	–	2.82	2.96
Mortgage loan	2.30	–	0.98	1.17
Trust receipt loans	–	–	2.31	2.83
	<u>–</u>	<u>–</u>	<u>2.31</u>	<u>2.83</u>

24 TRADE AND OTHER PAYABLES

	Group				Company				
	At 30 April		At 31 July		At 10 March	At 30 April		At 31 July	
	2008	2009	2010	2010		2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	(Unaudited)								
Trade and bills payables	28,070,530	18,870,360	11,919,382	1,437,453	–	–	–	–	–
Sales deposits received	2,682,915	47,319	436,359	1,247,176	–	–	–	–	–
Accrued operating expenses	1,903,060	495,430	674,206	754,943	–	629,484	77,825	99,482	133,913
Other payables	–	11,922	122,663	17,742	–	–	1,066	3,360	3,375
Non-trade balances due to									
– subsidiaries	–	–	–	–	–	672,865	116,023	10	10
– associated companies	60,334	126,159	–	216,207	–	–	–	–	–
– directors	126,275	–	738,247	–	–	–	–	–	–
– minority shareholder	–	–	402,000	402,000	–	–	–	–	–
Trade balances due to									
– minority shareholder	–	–	200,732	264,470	–	–	–	–	–
– related company	–	–	29,716	4,971,600	–	–	–	–	–
	<u>4,772,584</u>	<u>680,830</u>	<u>2,603,923</u>	<u>7,874,138</u>	<u>–</u>	<u>1,302,349</u>	<u>194,914</u>	<u>102,852</u>	<u>137,298</u>
	<u>32,843,114</u>	<u>19,551,190</u>	<u>14,523,305</u>	<u>9,311,591</u>	<u>–</u>	<u>1,302,349</u>	<u>194,914</u>	<u>102,852</u>	<u>137,298</u>

The bills payables were secured by:

- (i) legal pledges of the Group's leasehold land and buildings (at 30 April 2008, 30 April 2010 and 31 July 2010) (Note 17);
- (ii) legal pledges of the Group's fixed deposits and certain cash at bank (Note 22);
- (iii) personal guarantees from certain directors (at 30 April 2008 only);
- (iv) pledges of assets (cargo and related proceeds) underlying the financial transaction;
- (v) corporate cross guarantees between subsidiaries when appropriate; and
- (vi) corporate guarantees of the Company (at 30 April 2009, 30 April 2010 and 31 July 2010).

The amounts payable to subsidiaries, associated companies, directors, minority shareholders and related companies are unsecured, interest free and repayable on demand.

The ageing analysis of trade and bills payables, based on invoice date, was as follows:

	Group			
	At 30 April			At 31 July
	2008	2009	2010	2010
	US\$	US\$	US\$	US\$
Due within 3 months or on demand	28,070,530	18,870,360	11,710,366	1,348,886
Due after 3 months but within 6 months	–	–	163,046	–
Due after 6 months but within 1 year	–	–	–	42,597
Due over 1 year	–	–	45,970	45,970
	<u>28,070,530</u>	<u>18,870,360</u>	<u>11,919,382</u>	<u>1,437,453</u>

Trade and other payables denominated in currencies other than the functional currencies of the respective entities were as follows:

	Group				Company				
	At 30 April		At 31 July		At 30 April		At 31 July		
	2008	2009	2010	2010	2008	2009	2010	2010	2010
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
	(Unaudited)								
US\$	–	–	6,192,558	5,443,313	–	–	–	–	–
HKD	2,685,348	34,159	(579,819)	31,360	–	74,537	–	2,029	–
S\$	693,757	94,038	169,029	160,103	–	1,227,812	78,891	100,813	137,288
Euro	391,414	–	–	–	–	–	–	–	–
UAE Dirham	4,357	4,900	4,493	–	–	–	–	–	–
Indian Rupee	18,466	11,739	–	–	–	–	–	–	–
Chinese Renminbi	–	72,307	–	–	–	–	–	–	–

25 DEFERRED INCOME

	Group			
	At 30 April		At 31 July	
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Grant-related to assets				
At beginning of financial year/period	–	–	–	183,375
Grant received	–	–	183,375	–
Exchange realignment	–	–	–	1,375
	<hr/>	<hr/>	<hr/>	<hr/>
At end of financial year/period	–	–	183,375	184,750
Accumulated amortisation				
At beginning of financial year/period	–	–	–	921
Amortisation for the year/period	–	–	921	924
Exchange realignment	–	–	–	13
	<hr/>	<hr/>	<hr/>	<hr/>
At end of financial year/period	–	–	921	1,858
Carrying amount	<hr/>	<hr/>	<hr/>	<hr/>
	<u>–</u>	<u>–</u>	<u>182,454</u>	<u>182,892</u>
Represented by:				
Current liabilities	–	–	3,686	3,713
Non-current liabilities	–	–	178,768	179,179
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>–</u>	<u>–</u>	<u>182,454</u>	<u>182,892</u>

Grant represents an infrastructure development grant received from Tianjin Economic Technological Development Area (TEDA) Construction Development Bureau (“TEDACDB”) to subsidise the project development and construction of land in Tianjin, the PRC. The grant is amortised over the useful life of the property, plant and equipment which it is subsidising.

Pursuant to the Soft-soil Foundation Treatment Subsidy Payment Agreement signed between the TEDACDB and Novo Development (Tianjin) Limited (“Novo Tianjin”) on 24 December 2009, the grant was an one-off transaction, and the criteria for awarding the infrastructure development grant and the conditions to use the grant are summarised as below.

- (1) Novo Tianjin must utilise the grant wholly on the project development and construction of the land locating at the designated area of Tianjin Economic Technological Development Zone in Western District under the supervision of the TEDACDB. No other purpose of usage is allowed.
- (2) In the event Novo Tianjin changes the construction plan for its own reasons, which cannot therefore meet the stipulated requirements of the building density standard as stated in the Land-use Right Transfer Agreement signed on 9 September 2009 and/or have to develop and construct the land and buildings under the project into different phases, the Finance Bureau has the right to withdraw the unutilised grant portion. The withdrawal amount would be determined by the TEDACDB.
- (3) Novo Tianjin is not allowed to transfer or let out wholly or partly of the land and buildings in the said development zone without the prior written consent of TEDACDB.

- (4) In case Novo Tianjin considers it is necessary and confirmed the real necessity to transfer or let out any part of the land and buildings for its sole purpose of the project development and working capital requirements in the development zone, Novo Tianjin should refund in full the paid grant back to the TEDACDB upon its written consent.
- (5) If Novo Tianjin cannot repay its outstanding debts as and when they fall due thereby causing a closure order, forced auction sale by creditors of its land and buildings and related rights and assets thereon or Novo Tianjin goes into a bankruptcy procedure as a result of its mis-management shortly after receipt of the grant, Novo Tianjin is bound to fully repay the grant back to the TEDACDB. Under the PRC rules and regulations, the TEDACDB has the rights as imposed by the laws to chase after and collect back the paid grant from Novo Tianjin accordingly.

During the Relevant Periods, Novo Tianjin did not breach any of the above conditions. The grant had never been collected back or refunded.

26 CONVERTIBLE LOAN

	Company				
	At 10 March 2008 US\$ (Unaudited)	2008 US\$	At 30 April 2009 US\$	2010 US\$	At 31 July 2010 US\$
Convertible loan	2,162,700	–	–	–	–

- (a) Under the Reverse Acquisition of Neocorp and as of 31 July 2007, Neocorp entered into a Convertible Loan Agreement (“Agreement”) with the Vendors for the subscription and issue of convertible loan notes for an aggregate principal amount of up to S\$3,000,000, and the Vendors were to extend a loan of up to S\$3,000,000 (equivalent to US\$2,162,700) to Neocorp to fund its payment of professional fees and cost and expenses associated with the Reverse Acquisition.
- (b) Under the terms of the Agreement, the Vendors had the option to convert all or part of the convertible loan into 100,000,000 fully paid new ordinary shares in Neocorp within 7 business day from the issuance of written notice by Neocorp to the Vendors informing them of the successful completion of the Reverse Acquisition. Except this, there were no special rights attached to the shares issued and they rank pari passu with existing ordinary shares in respect of the shareholders thereof after the conversion.
- (c) The convertible loan was unsecured and interest-free.
- (d) The fair value of the liability component, classified as current liabilities, approximates its carrying amount due to its short conversion period.
- (e) On 11 March 2008, the Vendors exercised their conversion right and 100,000,000 fully paid ordinary shares in the capital of the Company were allotted and issued to the Vendors accordingly.
- (f) The convertible loan was denominated in Singapore Dollars.

27 SHARE CAPITAL

	Group		Company	
	<i>No. of ordinary share</i>	<i>US\$</i>	<i>No. of ordinary share</i>	<i>US\$</i>
Balance at				
– 1 May 2006	(a) –	632,330	–	–
– 1 December 2007	(a) –	–	492,084,283	22,673,495
– 1 May 2007	89,759,371	–	–	–
Issue of shares by legal subsidiaries	(b) –	646,047	–	–
Pre-acquisition consolidation of shares	(c) –	–	(472,400,912)	–
Issue of shares pursuant to conversion of the Trittech loan	(d) –	–	5,350,000	115,705
Issue of shares pursuant to a scheme of arrangement	(e) –	–	64,726,000	1,399,829
Capital reduction	(f) –	–	–	(24,180,268)
Balance at 10 March 2008 (Unaudited)	89,759,371	1,278,377	89,759,371	8,761
Issue of shares by legal subsidiaries	(g) –	54,453	–	–
Issue of shares pursuant to the Reverse Acquisition	(h) 3,688,270,000	1,941,226	3,688,270,000	79,766,215
Expenses for the Reverse Acquisition	–	(2,265,162)	–	(2,265,162)
Issue of shares pursuant to the convertible loan agreement	(i) 100,000,000	2,162,700	100,000,000	2,162,700
Post acquisition consolidation of shares	(j) (3,393,275,731)	–	(3,393,275,731)	–
Issue of shares pursuant to placing, net	(k) 146,625,000	20,842,237	146,625,000	20,842,237
Balance at 30 April 2008 and 30 April 2009	631,378,640	24,013,831	631,378,640	100,514,751
Placement of new shares	(l) 51,841,000	8,224,700	51,841,000	8,224,700
Balance at 30 April 2010 and 31 July 2010	683,219,640	32,238,531	683,219,640	108,739,451

- (a) The equity structure (i.e. the number and types of equity issued) at balance sheet date represents that of the Company, being the legal parent. However, for the purpose of reverse acquisition accounting, the amount of share capital of the Group as at 1 May 2007 represents that of the Novo group of companies, the legal subsidiaries immediately before the Reverse Acquisition.
- (b) (i) Novo Overseas Holdings Pte. Ltd. (formally known as Nova Shipping Pte. Ltd.) issued 200,000 shares of S\$1 (US\$0.66) per share for cash on 1 June 2006 to incorporate the company;
- (ii) Novo Commodities Limited issued 4,000,000 shares of HKD1 (US\$0.13) per share for cash on 13 June 2006 to provide funds for the expansion of the company's operations; and
- (iii) Novo Investment Limited issued 10,000 shares of HKD1 (US\$0.13) per share for cash on 27 October 2006 to incorporate the company.
- (c) Every 25 of existing ordinary shares in the capital of the Company as at 10 March 2008 were consolidated into one Pre-Acquisition share held in the capital of the Company before the Reverse Acquisition.
- (d) As of 2 August 2006, a conditional sale and purchase agreement (“agreement”) was entered into between Neocorp and Trittech International Holdings Pte Ltd (“Trittech”), a company incorporated in Singapore. Pursuant to the agreement, a loan of S\$520,000 was extended by Trittech to Neocorp (the “Trittech loan”).

Based on directors' representation, the Directors confirmed that there was no relationship between Trittech and the Group and its connected persons.

To settle the Trittech loan, Neocorp allotted and issued new shares, comprising an aggregate of 5,350,000 new Pre-Acquisition Shares (the "Shares"), at the rate of S\$0.03 for each new Pre-Acquisition Share representing the partial conversion of equivalent to S\$160,500 of the Trittech loan into the Shares to be issued to Trittech.

There were no special rights attached to the Shares issued and they rank pari passu with existing ordinary shares in respect of the shareholders thereof after the scheme of arrangement.

- (e) 64,726,000 new Pre-Acquisition shares of S\$0.03 each were issued to the creditors pursuant to the terms of the scheme of arrangement, ranking pari passu in all respects with the existing Pre-Acquisition shares, in favour of the creditors of the scheme of arrangement.
- (f) The issued and paid up share capital of the Company was reduced by S\$33,541,778 (US\$24,180,268) and that reduction was effected by cancelling the issued and paid-up share capital of the Company which has been lost or was unrepresented by available assets to the extent of S\$33,541,778 (US\$24,180,268), and the same amount was applied in writing off the accumulated losses of the Company as at 25 January 2008.
- (g) Novosteel DMCC issued 100 shares of AED2,000 (equivalent to US\$544) per share for cash on 26 August 2007 to incorporate the company and Global Wealth Trading Limited issued 9 shares of US\$1 per share for cash on 14 September 2007.
- (h) The Company issued 3,688,270,000 consideration shares at S\$0.03 each to acquire the entire share capital of the Novo group of companies. For the purpose of reverse acquisition accounting, the cost of acquisition of the Company (the legal parent) by the Novo group of companies (the legal subsidiaries) is recorded as equity in the consolidated financial statements. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 89,759,371 shares at S\$0.03 each amounting to US\$1,941,226. The acquisition cost is deemed to be incurred by the legal subsidiaries in the form of equity issued to the Vendors and their nominee.
- (i) The Company issued 100,000,000 ordinary shares at S\$0.03 to the Vendors pursuant to the convertible loan agreement (Note 26).
- (j) Every 8 shares in the capital of the Company as at 11 March 2008 was consolidated into one ordinary share in the capital of the Company following the completion of the Reverse Acquisition but before the compliance share placement as described in Note 27(k).
- (k) Share placement of 146,625,000 ordinary shares at S\$0.20 each in the capital of the Company net of share expenses of US\$691,110. The net proceeds would be used for investments, acquisition and joint ventures, setting up offices and working capital purposes.
- (l) On 21 January 2010, the Company issued and allotted 51,841,000 new ordinary shares at S\$0.23 each and incurred share placement expenses of US\$271,935 pursuant to among others the Placement Agreement.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All shares carry one vote per share without restrictions.

28 RESERVES

	Note	Company					Total US\$
		Share capital US\$	Treasury shares US\$	Retained earnings US\$	Other reserve US\$ <i>(Note 28(a))</i>	Foreign currency translation reserves US\$	
Balance at 1 December 2007 (Unaudited)	27(a)	22,673,495	–	(34,504,378)	–	(29,663)	(11,860,546)
Changes in equity for the period							
Issue of shares pursuant to conversion of the Trittech loan	27(d)	115,705	–	72,090	–	–	187,795
Issue of shares pursuant to a scheme of arrangement	27(e)	1,399,829	–	10,281,686	–	–	11,681,515
Capital reduction	27(f)	(24,180,268)	–	24,180,268	–	–	–
Currency translation difference written-off		–	–	(29,663)	–	29,663	–
Balance at 10 March 2008 (Unaudited)		8,761	–	3	–	–	8,764
Changes in equity for the period							
Issue of shares pursuant to the Reverse Acquisition	27(h)	79,766,215	–	–	–	–	79,766,215
Expenses for the Reverse Acquisition		(2,265,162)	–	–	–	–	(2,265,162)
Issue of shares pursuant to the convertible loan agreement	27(i)	2,162,700	–	–	–	–	2,162,700
Issue of shares pursuant to placing, net	27(k)	20,842,237	–	–	–	–	20,842,237
Total comprehensive expenses for the period		–	–	(111,881)	–	–	(111,881)
Balance at 30 April 2008		100,514,751	–	(111,878)	–	–	100,402,873
Changes in equity for the year							
Purchase of treasury shares	29	–	(1,990,536)	–	–	–	(1,990,536)
Total comprehensive income for the year		–	–	3,062,513	–	–	3,062,513
Balance at 30 April 2009		100,514,751	(1,990,536)	2,950,635	–	–	101,474,850
Changes in equity for the year							
Dividend paid	30	–	–	(4,211,307)	–	–	(4,211,307)
Purchase of treasury shares	29	–	(1,144,469)	–	–	–	(1,144,469)
Placement of new shares and disposal of treasury shares	27(l), 29	8,224,700	3,135,005	–	2,600,961	–	13,960,666
Total comprehensive income for the year		–	–	5,238,192	–	–	5,238,192
Balance at 30 April 2010		108,739,451	–	3,977,520	2,600,961	–	115,317,932

	Company				
	Share capital <i>US\$</i>	Treasury shares <i>US\$</i>	Retained earnings <i>US\$</i>	Other reserve <i>US\$</i> (Note 28(a))	Total <i>US\$</i>
Balance at 1 May 2009	100,514,751	(1,990,536)	2,950,635	–	101,474,850
Changes in equity for the period					
Purchase of treasury shares (Unaudited)	–	(325,667)	–	–	(325,667)
Total comprehensive income for the period (Unaudited)	–	–	2,886	–	2,886
Balance at 31 July 2009 (Unaudited)	<u>100,514,751</u>	<u>(2,316,203)</u>	<u>2,953,521</u>	<u>–</u>	<u>101,152,069</u>
Balance at 1 May 2010	108,739,451	–	3,977,520	2,600,961	115,317,932
Changes in equity for the period					
Total comprehensive expenses for the period	–	–	(55,086)	–	(55,086)
Balance at 31 July 2010	<u>108,739,451</u>	<u>–</u>	<u>3,922,434</u>	<u>2,600,961</u>	<u>115,262,846</u>

(a) Other reserve represented the net gain on partial disposal of treasury shares held by the Company at the prevailing reporting time.

29 TREASURY SHARES

	Group and Company	
	<i>No. of treasury shares</i>	<i>US\$</i>
Balance at 11 March 2008 and 30 April 2008	–	–
Purchase of treasury shares	<u>23,280,000</u>	<u>1,990,536</u>
Balance at 30 April 2009	23,280,000	1,990,536
Purchase of treasury shares	12,879,000	1,144,469
Disposal of treasury shares	<u>(36,159,000)</u>	<u>(3,135,005)</u>
Balance at 30 April 2010	<u>–</u>	<u>–</u>

The Company acquired 23,280,000 and 12,879,000 shares in the Company through purchases on the SGX-ST during the years ended 30 April 2009 and 2010 respectively. The total amounts paid to acquire the shares were US\$1,990,536 and US\$1,144,469 during the years ended 30 April 2009 and 2010 respectively and were presented as a component of shareholders' equity.

During the year ended 30 April 2010, the Company disposed of its entire 36,159,000 treasury shares in the Company through sales on the SGX-ST. The total amount received for the disposal was US\$5,735,966 and resulted a capital gain on disposal of treasury shares of US\$2,600,961 taken to other reserve (Note 28 (a)).

30 DIVIDEND PAID

	Group				
	Year ended 30 April			Three months ended	
	2008	2009	2010	31 July	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Interim tax exempt dividend declared and paid for the years ended 30 April 2010 and 2008 of S\$0.50 cents and US\$5 cents per share respectively	4,000,000	–	2,120,770	–	–
Final tax exempt dividend in respect of the previous financial year, approved and paid during the year, of S\$0.50 cents per share	–	–	2,090,537	–	–
	<u>4,000,000</u>	<u>–</u>	<u>4,211,307</u>	<u>–</u>	<u>–</u>

(Unaudited)

At the Annual General Meeting held on 27 August 2010, the directors proposed the payment of a final tax exempt dividend of S\$0.50 cents amounting to a total of S\$3,416,098 (equivalent to US\$2,496,826) in the form of cash. These Financial Information does not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2011.

31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share incentive plan which was adopted on 4 November 2008 whereby the management of the Company are authorised, at their discretion, to invite individuals (including employees and directors of the Group), to take up options to subscribe for shares of the Company.

No options have been granted since the date of adoption of this share incentive plan.

32 COMMITMENTS

- (a) Capital commitments outstanding at each of the balance sheet dates not provided for in the Financial Information were as follows:

	Group			
	At 30 April		At 31 July	
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Expenditure for property, plant and equipment contracted for	–	–	40,290	1,756,589
Expenditure for property, plant and equipment approved by the director but not contracted for	–	–	2,068,470	–
	<u>–</u>	<u>–</u>	<u>2,108,760</u>	<u>1,756,589</u>

- (b) At each of the balance sheet dates, the future aggregate minimum lease payments for office premises under non-cancellable operating lease were as follows:

	Group			
		At 30 April		At 31 July
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Not later than one year	106,369	56,120	91,143	91,068
Later than one year but not later than five years	151,961	33,714	7,097	5,321
	<u>258,330</u>	<u>89,834</u>	<u>98,240</u>	<u>96,389</u>

33 CONTINGENT LIABILITIES

Contingent liabilities not provided for in the Financial Information of the Group at each of the balance sheet dates were as follows:

- (a) **Bills discounted with recourse**

	Group			
		At 30 April		At 31 July
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Discounted bills with recourse supported by letters of credit	56,571,040	48,389,498	20,165,164	–

- (b) **Guarantees**

	Company				
	At 10 March	At 30 April		At 31 July	
	2008	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
(Unaudited)					
Corporate guarantees issued by the Company to banks in respect of:					
– banking facilities of subsidiaries	–	–	340,000,000	309,761,103	337,961,103

The Company has issued corporate guarantees to banks for banking facilities granted to its subsidiaries. These guarantees are financial guarantee contract as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company as the requirements to reimburse are remote and the Company does not expect to incur material losses under these corporate guarantees.

- (c) On 26 March 2008, a bank granted an ad hoc facility (the "AD Facility") to a subsidiary of the Company, Novo Commodities Pte. Ltd. ("NCPL"), for financing a purchase of goods by NCPL from a supplier, and prepaid, before the year end of FY2008, approximately US\$17.6 million on behalf of NCPL to the supplier.

This AD Facility was granted on a without recourse basis with drawdown validity up to 30 May 2008. The without recourse condition of the AD Facility means that NCPL has no obligation to repay the loan as long as the loan is covered by the corresponding insurance policy(ies) over the risk of delivery performance by the supplier. The without recourse agreement will become invalid immediately under the following scenarios: (a) completion of delivery performance by the supplier; (b) when there is violation and/or breach of any terms and conditions of the AD Facility; (c) violation and/or breach of any terms and conditions of the AD Facility; (d) exceptions and/or any situation not covered by the insurance policy(ies); and (e) failure and/or refusal of a payout to claim under the insurance policies.

As at 30 April 2008, the supplier's obligation under the purchase had not been fulfilled and the prepayment by the bank was made on a without recourse basis. As such, no asset and liability was recognised in the Group's financial statements as at 30 April 2008. This without recourse bank loan under the AD Facility was registered as contingent liability in the financial statements for the year end of 30 April 2008.

The transaction was duly completed in the financial year 2009 upon delivery of the goods by the supplier. Afterwards there were no more contingent liabilities relating to this transaction.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Categories of financial assets and financial liabilities

Financial assets and financial liabilities as at balance sheet date included the following:

	Group				Company				
	At 30 April		At 31 July	At 10 March	At 30 April			At 31 July	
	2008	2009	2010	2010	2008	2009	2010	2010	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
					(Unaudited)				
Loans and receivables	68,820,388	54,050,862	52,005,141	55,920,075	501,676	21,939,007	21,899,294	35,633,786	35,339,458
Financial liabilities at amortised cost	34,791,998	19,503,871	27,992,028	26,972,947	-	1,302,349	194,914	102,852	137,298
Convertible loan at fair value	-	-	-	-	2,162,700	-	-	-	-

(b) Fair value of financial instruments by classes that are not carried at fair values and whose carrying amounts are not approximation of fair value

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

The Group has no other financial instruments.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Treasury. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimise credit risk by dealing with counterparties with appropriate credit history.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables and cash and cash equivalents recognised in the balance sheets.

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 are placed with reputable financial institutions with good credit ratings and no history of default.

At the 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010, approximately:

- 67.12%, 99.27%, 77.40% and 90.12% respectively of the Group's trade and bill receivables were due from 5 major customers; and
- 1.49%, 1.84%, 8.18% and 5.73% of the Group's trade and other receivables were due from associated companies while almost all of the Company's receivables were balances with subsidiaries.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Non-trade balances due from associated companies and directors are generally repayable on demand and no impairment loss is anticipated.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group adopts prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by keeping committed credit lines available.

The Group seeks to maintain sufficient liquid financial assets and stand-by credit facilities to manage its liquidity risks.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

Group	30 April 2008				30 April 2009				30 April 2010				31 July 2010			
	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Trade and other payables	30,157,079	-	-	30,157,079	19,503,871	-	-	19,503,871	14,086,946	-	-	14,086,946	8,064,415	-	-	8,064,415
Borrowings	4,361,950	311,694	-	4,673,644	-	-	-	-	11,405,482	1,556,011	1,134,842	14,096,335	16,439,804	1,567,573	1,045,372	19,052,749
	<u>34,519,029</u>	<u>311,694</u>	<u>-</u>	<u>34,830,723</u>	<u>19,503,871</u>	<u>-</u>	<u>-</u>	<u>19,503,871</u>	<u>25,492,428</u>	<u>1,556,011</u>	<u>1,134,842</u>	<u>28,183,281</u>	<u>24,504,219</u>	<u>1,567,573</u>	<u>1,045,372</u>	<u>27,117,164</u>

Company	10 March 2008				30 April 2008				30 April 2009				30 April 2010				31 July 2010			
	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total	1 year or less	1 to 5 years	More than 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)																
Trade and other payables	-	-	-	-	1,302,349	-	-	1,302,349	194,914	-	-	194,914	102,852	-	-	102,852	137,298	-	-	137,298
Convertible loan	2,162,700	-	-	2,162,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>2,162,700</u>	<u>-</u>	<u>-</u>	<u>2,162,700</u>	<u>1,302,349</u>	<u>-</u>	<u>-</u>	<u>1,302,349</u>	<u>194,914</u>	<u>-</u>	<u>-</u>	<u>194,914</u>	<u>102,852</u>	<u>-</u>	<u>-</u>	<u>102,852</u>	<u>137,298</u>	<u>-</u>	<u>-</u>	<u>137,298</u>

Current and non-current borrowings are at floating rate, except for convertible loan (Note 26) which was redeemed upon completion of the Reverse Acquisition.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the balance sheet date.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group obtains financing through bank loans and trade financing facilities. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate risk exposure.

As at the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments were as follows:

	Group			
	2008 US\$	At 30 April 2009 US\$	2010 US\$	At 31 July 2010 US\$
Fixed rate instruments				
Financial assets	8,547,389	6,332,742	18,964,533	-
Financial liabilities	-	-	(982,890)	(990,260)
Variable rate instruments				
Financial assets	12,381,011	9,836,896	11,881,794	22,545,667
Financial liabilities	(4,634,919)	-	(12,922,192)	(17,918,272)

Due to low interest rate, any further variation in interest rates will not have a significant impact on the results of the Group.

The financial assets and financial liabilities of the Company are non-interest bearing.

(d) Foreign currency risk

Currency rate risks arise from transactions denominated in currencies other than the respective functional currencies of the entities in the Group are minimal, so the Group does not have a formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and management seeks to keep the net exposure to an acceptable level.

To minimise foreign currency exchange risk, the Group conducts the majority of both its purchase and sale transactions in the same currency.

The Group has foreign currency exposure arising mainly from cash and bank balances, trade and other receivables, trade and other payables. Approximately US\$22,693,000, US\$1,356,000, US\$15,300,000 and US\$17,282,000 of cash and bank balances, US\$461,000, US\$270,000, US\$960,000 and US\$960,000 of trade and other receivables, US\$4,201,000, US\$128,000, US\$8,600,000 and US\$12,722,000 of trade and other payables and borrowings are denominated in foreign currencies as at 30 April 2008, 30 April 2009, 30 April 2010 and 31 July 2010 respectively.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the respective currencies (against US\$), with all other variable held constant, of the Group's profit net of tax.

Group			
Year ended 30 April 2008			
	Increase/ (decrease) in foreign exchange rates	Effect on profit after income tax and retained profits US\$	Effect on other components of equity US\$
HKD – strengthened	3%	(83,697)	–
– weakened	(3%)	83,697	–
S\$ – strengthened	5%	866,639	–
– weakened	(5%)	(866,639)	–
Euro – strengthened	5%	(188,642)	–
– weakened	(5%)	188,642	–

Group			
Year ended 30 April 2009			
	Increase/ (decrease) in foreign exchange rates	Effect on profit after income tax and retained profits US\$	Effect on other components of equity US\$
HKD – strengthened	5%	13,252	–
– weakened	(5%)	(13,252)	–
S\$ – strengthened	5%	48,442	–
– weakened	(5%)	(48,442)	–
Euro – strengthened	5%	13,245	–
– weakened	(5%)	(13,245)	–

Group			
Year ended 30 April 2010			
	Increase/ (decrease) in foreign exchange rates	Effect on profit after income tax and retained profits US\$	Effect on other components of equity US\$
HKD – strengthened	5%	(65,438)	–
– weakened	(5%)	65,438	–
S\$ – strengthened	5%	719,378	–
– weakened	(5%)	(719,378)	–
Euro – strengthened	5%	12,571	–
– weakened	(5%)	(12,571)	–
US\$ – strengthened	5%	(289,091)	–
– weakened	(5%)	289,091	–

Group			
Three months ended 31 July 2010			
	Increase/ (decrease) in foreign exchange rates	Effect on profit after income tax and retained profits US\$	Effect on other components of equity US\$
HKD – strengthened	5%	(86,283)	–
– weakened	(5%)	86,283	–
S\$ – strengthened	5%	716,379	–
– weakened	(5%)	(716,379)	–
Euro – strengthened	5%	12,389	–
– weakened	(5%)	(12,389)	–
US\$ – strengthened	5%	(367,794)	–
– weakened	(5%)	367,794	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at each of the balance sheet dates and had been applied to each of the group entities' exposure to currency risk for the financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the relevant period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit after income tax and equity measured in the respective functional currencies, translated into US\$ at the exchange rate ruling at the balance sheet date for presentation purpose. The analysis is performed on the same basis in the Relevant Periods.

36 CAPITAL MANAGEMENT

The objective of the Group in managing its capital is to ensure the Group's ability to continue as a going concern to maximise shareholders' value.

The Group reviews the capital structure from time to time and may make adjustments in light of the changing economic conditions, by adjusting the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by total equity attributable to the equity holders of the Company. The Group includes within net debt, loan and borrowings, trade and other payables, less cash and cash equivalents.

The Group is in compliance with all externally imposed capital requirements for the Relevant Periods.

	Group			
	2008	At 30 April 2009	2010	At 31 July 2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Borrowings	4,634,919	–	13,905,082	18,908,532
Trade and other payables	32,843,114	19,551,190	14,523,305	9,311,591
	37,478,033	19,551,190	28,428,387	28,220,123
Less: Cash and cash equivalents	(21,698,954)	(16,892,630)	(13,047,929)	(19,473,911)
Net debt	15,779,079	2,658,560	15,380,458	8,746,212
Equity attributable to the equity holders of the Company	40,197,957	39,794,405	60,177,469	61,711,907
Equity and net debt	55,977,036	42,452,965	75,557,927	70,458,119
Net debt to equity ratio	28%	6%	20%	12%

37 SEGMENT INFORMATION

The Group is organised into business units based on its products and services for management purposes. The reportable segments are raw materials, semi-finished products, finished products and others. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

The segment information provided to management for the reportable segments is as follows:

(a) **Business segments**

Year ended 30 April 2010

	Raw materials <i>US\$</i>	Semi- finished products <i>US\$</i>	Finished products <i>US\$</i>	Others <i>US\$</i>	Total <i>US\$</i>
Revenue	239,219,724	60,276,455	97,798,123	5,729,118	403,023,420
Segment results	15,638,893	413,280	4,150,146	490,084	20,692,403
Unallocated income					4,052,324
Unallocated costs					(9,912,025)
Finance costs					(1,072,572)
Share of results of associated companies					(52,568)
Profit before income tax					13,707,562
Income tax					(1,691,231)
Net profit for the financial year					12,016,331
Assets and liabilities					
Unallocated assets					90,844,656
Investment in associated companies					463,722
Total assets					91,308,378
Unallocated liabilities					30,032,742
Total liabilities					30,032,742
Other segment items					
Capital expenditure					6,265,160
Depreciation and amortisation					140,285
Non-cash items other than depreciation and amortisation					21,984

Year ended 30 April 2009

	Raw materials <i>US\$</i>	Semi- finished products <i>US\$</i>	Finished products <i>US\$</i>	Others <i>US\$</i>	Total <i>US\$</i>
Revenue	113,739,592	143,810,577	255,171,501	10,970,683	523,692,353
Segment results	1,971,405	3,940,814	4,961,241	83,312	10,956,772
Unallocated income					2,073,230
Unallocated costs					(7,890,210)
Finance costs					(2,865,437)
Share of results of associated companies					<u>(613,754)</u>
Profit before income tax					1,660,601
Income tax					<u>(93,813)</u>
Net profit for the financial year					<u><u>1,566,788</u></u>
Assets and liabilities					
Unallocated assets					59,970,984
Investment in associated companies					<u>26,290</u>
Total assets					<u><u>59,997,274</u></u>
Unallocated liabilities					<u>19,622,437</u>
Total liabilities					<u><u>19,622,437</u></u>
Other segment items					
Capital expenditure					139,871
Depreciation					75,778
Non-cash items other than depreciation					<u>45,577</u>

Year ended 30 April 2008

	Raw materials <i>US\$</i>	Semi- finished products <i>US\$</i>	Finished products <i>US\$</i>	Others <i>US\$</i>	Total <i>US\$</i>
Revenue	88,862,275	59,360,898	331,746,701	–	479,969,874
Segment results	5,449,277	3,367,275	13,943,870	–	22,760,422
Unallocated income					1,351,001
Unallocated costs					(8,283,381)
Finance costs					(2,721,155)
Share of results of associated companies					(77,917)
Profit before income tax					13,028,970
Income tax					(1,418,776)
Net profit for the financial year					11,610,194
Assets and liabilities					
Unallocated assets					79,819,531
Investment in associated companies					640,044
Total assets					80,459,575
Unallocated liabilities					40,243,667
Total liabilities					40,243,667
Other segment items					
Capital expenditure					99,969
Depreciation					57,576
Non-cash items other than depreciation					1,926,201

Three months ended 31 July 2009

	Raw materials <i>US\$</i> (Unaudited)	Semi- finished products <i>US\$</i> (Unaudited)	Finished products <i>US\$</i> (Unaudited)	Others <i>US\$</i> (Unaudited)	Total <i>US\$</i> (Unaudited)
Revenue	81,053,703	–	22,680,668	–	103,734,371
Segment results	4,992,622	–	643,919	–	5,636,541
Unallocated income					215,065
Unallocated costs					(1,177,433)
Finance costs					(433,366)
Share of results of associated companies					<u>(27,722)</u>
Profit before income tax					4,213,085
Income tax					<u>(278,101)</u>
Net profit for the financial period					<u><u>3,934,984</u></u>
Assets and liabilities					
Unallocated assets					64,123,158
Investment in associated companies					<u>488,568</u>
Total assets					<u><u>64,611,726</u></u>
Unallocated liabilities					<u>20,566,290</u>
Total liabilities					<u><u>20,566,290</u></u>
Other segment items					
Capital expenditure					46,259
Depreciation					23,074
Non-cash items other than depreciation					<u><u>–</u></u>

Three months ended 31 July 2010

	Raw materials US\$	Semi- finished products US\$	Finished products US\$	Others US\$	Total US\$
Revenue	71,742,621	15,160,736	29,908,963	379,792	117,192,112
Segment results	2,485,792	(264,236)	1,560,316	16,979	3,798,851
Unallocated income					623,536
Unallocated costs					(2,378,413)
Finance costs					(258,781)
Share of results of associated companies					(21,688)
Profit before income tax					1,763,505
Income tax					(188,966)
Net profit for the financial period					<u>1,574,539</u>
Assets and liabilities					
Unallocated assets					92,461,875
Investment in associated companies					442,034
Total assets					<u>92,903,909</u>
Unallocated liabilities					30,012,281
Total liabilities					<u>30,012,281</u>
Other segment items					
Capital expenditure					15,670
Depreciation and amortisation					63,897
Non-cash items other than depreciation and amortisation					(924)

Raw materials include mainly iron ore and coal trading. Semi-finished products include mainly steel slabs and billets. Finished products include mainly steel plates, hot rolled coils, cold rolled coils, wire rods and deformed bars. Others include sales of special and coated products such as galvanised steel coils, pre-painted galvanised steel coils and tinplate and income from provision of chartering service.

There is no reasonable basis to allocate other income and administrative, certain distribution and selling expenses to the different segments, and accordingly these items have been disclosed as unallocated income and unallocated costs respectively.

Assets of the Group are utilised interchangeably between the different segments and there is no reasonable basis to allocate liabilities of the Group between the different segments. Accordingly capital expenditure, assets and liabilities of the Group are disclosed as unallocated in the segment report.

(b) Geographical information

The turnover by geographical segments is based on the location of customers regardless of where the goods are produced.

The Group's operations are located in 4 main geographical areas. The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods and services.

Sales revenue by geographical markets:

	Group				
	Year ended 30 April			Three months ended 31 July	
	2008	2009	2010	2009	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	(Unaudited)				
North Asia <i>(Note i)</i>	138,865,375	161,854,055	286,418,253	90,156,489	88,091,419
South East Asia <i>(Note ii)</i>	157,444,568	183,198,579	116,503,127	13,577,882	25,337,402
India and Middle East <i>(Note iii)</i>	81,714,526	80,246,634	–	–	3,383,499
Others <i>(Note iv)</i>	101,945,405	98,393,085	102,040	–	379,792
	<u>341,104,499</u>	<u>361,838,298</u>	<u>116,605,167</u>	<u>13,577,882</u>	<u>29,100,693</u>
	<u>479,969,874</u>	<u>523,692,353</u>	<u>403,023,420</u>	<u>103,734,371</u>	<u>117,192,112</u>

Non-current assets by geographical markets:

	Group			
		At 30 April		At 31 July
	2008	2009	2010	2010
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
North Asia <i>(Note i)</i>	1,415,565	1,465,057	7,600,465	7,566,366
South East Asia <i>(Note ii)</i>	35,515	31,181	21,099	19,306
India and Middle East <i>(Note iii)</i>	36,203	3,329	3,245	2,979
Investment in associated companies	1,487,283	1,499,567	7,624,809	7,588,651
	<u>640,044</u>	<u>26,290</u>	<u>463,722</u>	<u>442,034</u>
	<u>2,127,327</u>	<u>1,525,857</u>	<u>8,088,531</u>	<u>8,030,685</u>

(c) **Information about major customer**

Revenue of approximately US\$30,860,000 for 1QFY2011 (Three months ended 31 July 2009 (unaudited): US\$29,820,000) and US\$76,840,000 for the year ended 30 April 2010 (2009: US\$39,560,000; 2008: US\$52,000,000) are derived from a single external customer and are attributable to the raw materials segment (Three months ended 31 July 2009 (unaudited): raw materials segment) and raw material segment (2009: finished and semi-finished products segments; 2008: finished products segment).

Note:

- (i) Included Hong Kong, Macau, the PRC and Taiwan, etc.
- (ii) Included Philippines, Singapore, Thailand and Vietnam, etc.
- (iii) Included Dubai and Jordan, etc.
- (iv) Included Belgium, Brazil, Italy and Spain, etc.

38 NON-ADJUSTING POST BALANCE SHEET EVENTS

On 6 May 2010, Global Wealth Trading Limited (“GWTL”), a wholly owned subsidiary of the Company signed a legally binding MOU with Mr. Lin Xiutong (“Mr. Lin”), a director and a shareholder of Iron And Steel Resources Limited which ceased to be a subsidiary of the Group after 30 April 2010, Select Best Limited (“Select Best”) and Wealthy Dragon Investments Limited (“Wealthy Dragon”), both Select Best and Wealthy Dragon are controlled by Mr. Lin, whereby GWTL was granted a right of first refusal for the acquisition of 60% shareholding in Select Best and/or Wealthy Dragon which was intended to be the ultimate holding company for investing in a PRC company which is planned to engage in the scrap steel processing in Taizhou, the PRC (“Taizhou Project”). Up to the date of this report, GWTL has not exercised the right of first refusal in the aforesaid Taizhou Project. According to the MOU, there is no time limit imposed to exercise this right. Based on directors’ representation, the Group has not yet incurred any cost in the Taizhou Project up to the date of the report.

39 RECONCILIATION BETWEEN SINGAPORE FINANCIAL REPORTING STANDARDS (“SFRSs”) AND IFRSs

No material differences between the Financial Information of the Group prepared under SFRSs and IFRSs (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations).

40 COMPARATIVE FIGURES

Under the reverse acquisition accounting, the comparative figures in the Financial Information presented are those of Novo group of companies for the year ended 30 April 2008, whose financial statements were audited.

The Company has changed its financial year end from 30 November to 30 April in 2008 to coincide with the financial year of Novo group of companies. The financial statements for the financial year from 1 December 2007 to 10 March 2008 were unaudited as the Company was previously under judicial management.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2010.

Yours faithfully
Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong
Lo Wing See
Practising Certificate number P04607

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the property interests held by the Group as at 30 September 2010.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

26 November 2010

The Directors
Novo Group Ltd.
Rooms 1109-11, 11/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

INSTRUCTION, PURPOSE & DATE OF VALUATION

In accordance with your instruction for us to carry out market valuations of the property interests held by Novo Group Ltd. (the “Company”) or its subsidiaries (hereinafter referred to as the “Group”) in Hong Kong, the People’s Republic of China (the “PRC”), Singapore and Dubai, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the values of such property interests as at 30 September 2010 (the “date of valuation”).

DEFINITION OF MARKET VALUE

Our valuation of each of the property interests represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations exclude estimated prices inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property interests in the PRC, we have assumed that transferable land use rights in respect of the property interests for respective specific terms at nominal annual land use fees have been granted and that, unless otherwise stated, any premium payable have already been fully settled. We have relied on the advice given by the Group and the opinion of the legal adviser of the Group on the PRC laws, Haiwen & Partners, regarding the titles to the property interests. In valuing those property interests, we have assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation, which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature, which could affect their values.

METHODS OF VALUATION

In valuing the property interest in Group I which is currently held by the Group for owner occupation in Hong Kong, we have adopted the direct comparison method by making reference to comparable sales evidences as available in the relevant market.

In valuing the property in Group II, which is held by the Group under development in the PRC, we have adopted the Depreciated Replacement Costs (“DRC”) approach. Due to the specific nature and use of the buildings and structures, we have valued the property by reference to the DRC. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at our opinion of value of the land, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. The value is subject to service potential of the entity from the use of assets as a whole.

The property interests in Groups III, IV, V and VI, which are leased to the Group in Hong Kong, the PRC, Singapore and Dubai respectively, are considered to have no commercial value due to prohibition against assignment or lack of substantial profit rent.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion dates of buildings, building specifications, particulars of occupancy, tenancy details, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on information provided to use and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided. We were also advised by you that no material facts have been omitted from the information supplied.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of each of the property interests. However, we have not carried out investigations on site to determine the suitability of soil conditions and services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property interests and we have assumed that the areas shown on the copies of documents handed to us are correct.

TITLE INVESTIGATION

Regarding the property interests in Hong Kong, we have caused searches to be made at the Land Registry. We have not been able to conduct title searches of the properties in other jurisdictions but we have made reference to the copies of the title documents which have been made available to us by the Group. However, for all property interests, we have not searched the original documents to verify ownership or to verify any amendments to any documents. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

CURRENCY

Unless otherwise stated, all money amounts indicated herein are in Hong Kong dollars for the property interests in Hong Kong and Renminbi for the property interests in the PRC.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in Hong Kong, the PRC, Singapore and the Middle East.

SUMMARY OF VALUATIONS

Property interest	Capital value in existing state as at 30 September 2010
Group I – Property interest held by the Group for owner occupation in Hong Kong	
1. Units 9, 10 and 11 on 11th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	HK\$53,000,000
Group II – Property interest held by the Group under development in the PRC	
2. A piece of industrial land located in West District, Tianjin Economic-Technological Development Area, Tianjin, the PRC	RMB13,000,000
Group III – Property interests leased to the Group in Hong Kong	
3. Flat D on 41st Floor, Block 5, Seaview Crescent, 8 Tung Chung Waterfront Road, Tung Chung, Lantau Island, New Territories	No commercial value
4. Unit B on 22nd Floor, Andes Plaza, 323 Queen's Road West, Sai Ying Pun, Hong Kong	No commercial value
5. Unit A on 20th Floor, Kiu Yin Commercial Building, 361-363 Lockhart Road, Wanchai, Hong Kong	No commercial value

Property interest	Capital value in existing state as at 30 September 2010
Group IV – Property interests leased to the Group in the PRC	
6. Unit 3408, East Block Yang Cheng International Commercial Building, No. 122 Tiyu East Road, Tianhe District, Guangzhou, the PRC	No commercial value
7. Unit 5, Block 6, Yuan Yue Lane, Da Wu Feng Living Zone, Wu Xia Street, Dongli District, Tianjin, the PRC	No commercial value
8. Units 1803 and 1812, Block 1, Hu Ban Building, No. 1250 Zhongshan Bei Yi Road, Hong Kou District, Shanghai, the PRC	No commercial value
9. Unit 210, Level 2, No. 79 Aona Road, Waigaoqiao Baoshui District, Shanghai, the PRC	No commercial value
10. Unit 125, Level 1, Block A, No. 559 Wuchang Road, Hongkou District, Shanghai, the PRC	No commercial value

Property interest	Capital value in existing state as at 30 September 2010
Group V – Property interests leased to the Group in Singapore	
11. 20 Harbour Drive #05-01, PSA VISTA, Singapore 117612	No commercial value
12. Block 374 Clementi Avenue 4 #08-174, Singapore 120374	No commercial value
Group VI – Property interest leased to the Group in Dubai	
13. Executive Offices #R30-19, 30th Floor, Reef Tower JLT, Dubai, UAE	No commercial value

VALUATION CERTIFICATE

Group I – Property interest held by the Group for owner occupation in Hong Kong

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010
1. Units 9, 10 and 11 on 11th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong 63/33888th shares of and in Inland Lot No.8517	<p>The property comprises 3 office units on the 11th floor of a 30-storey office block erected upon a 10-storey commercial/car parking podium (plus 2 levels of basement). The development was completed in 1986.</p> <p>The property has a total saleable area of approximately 2,982 sq.ft. (277.03 sq.m.).</p> <p>The property is held from the Government for a term of 75 years from 31st December 1980 renewable for a further term of 75 years. The current Government rent payable for the lot is HK1,000 per annum.</p>	The property is occupied by the Group as an office.	HK\$53,000,000

Notes:

- (1) The registered owner of the property is Novo Commodities Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a mortgage in favour of China Construction Bank (Asia) Corporation Limited.

VALUATION CERTIFICATE

Group II – Property interest held by the Group under development in the PRC

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010
2.	A piece of industrial land located in West District, Tianjin Economic-Technological Development Area, Tianjin, the PRC	The property comprises a piece of land in irregular shape with a site area of approximately 25,000 sq.m. The property comprises 2 phases. Phase I is under construction and comprises a workshop and office building, phase II is not planned. Gross floor area of phase I is 6,476.77 sq.m. Phase I of the property is scheduled to be completed before 30 June 2011. The land use rights of the property have been granted for a term due to expire on 8 September 2059 for industrial use.	As at the date of valuation, the property was under construction. RMB13,000,000

Notes:

- (1) According to Certificate for the Use of State-owned Land No. Fang Di Zheng Jin Zi Di 114050900070 issued by People's Government of Tianjin Municipal and Tianjin Land Resources and Housing Administration Bureau, the land use rights of the property, with a site area of 25,000 sq.m. is vested in 新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited), an indirect wholly-owned subsidiary of the Company, for a term due to expire on 8 September 2059 for industrial use.
- (2) According to Grant Contract of State-owned Construction Land Use Rights No. Xi2009-008 entered into between Land Administration Bureau of Tianjin Economic and Technological Development Zone (the "Grantor") and 新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited), an indirect wholly-owned subsidiary of the Company, (the "Grantee") dated 9 September 2009, the land use rights of the property with a site area of 25,000 sq.m. have been granted to the Grantee for a term of 50 years for industrial use with details as follows:
- (a) Site area : 25,000 sq.m.
 (b) Use : industrial
 (c) Term : 50 years
 (d) Consideration : RMB7,550,000
 (e) Plot ratio : 0.75-1.5
 (f) Building height : ≤ 24 m.
 (g) Building coverage : ≥ 60%
 (h) Greenery ratio : ≤ 20%
 (i) Building covenants : To commence construction within 6 months from 9 September 2009. To complete construction before 9 September 2011.
- (3) According to Planning Permit for Construction Use of Land No. 1204012009001966 dated 24 September 2009, the construction site of a land with a site area of 25,000 sq.m. for industrial use is in compliance with urban planning requirements and has been approved.
- (4) According to Planning Permit for Construction Works No. 2010 Kaifajianzheng 0085 dated 3 June 2010, the construction works of Phase I of the property with a total gross floor area of 6,476.77 sq.m. are in compliance with the construction works requirements and have been approved.

- (5) According to Permit for Commencement of Construction Works No. 1211911201007002 dated 5 July 2010, the proposed construction works of part of the property with a total gross floor area of 6,476.77 sq.m. are in compliance with the requirements for works commencement and have been permitted.
- (6) According to Business Licence No. 120000400098146 dated 28 September 2010, 新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited) was established with a registered capital of US\$8,570,000 and a valid operation period from 21 January 2009 to 20 January 2059.
- (7) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter alia, the following information:
- (i) 新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited) has legally obtained the land use rights of the property;
- (ii) The land grant fee of the property has been fully settled;
- (iii) 新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited) is in possession of a proper legal title to the property and is entitled to legally occupy, use, lease, transfer, mortgage and dispose of the property at no extra land premium to the government; and
- (iv) As far as the PRC legal adviser is aware of, the property is free from and clear of encumbrance.
- (8) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract of State-owned Construction Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Property interests leased to the Group in Hong Kong

	Property interest	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
3.	Flat D on 41st Floor, Block 5, Seaview Crescent, 8 Tung Chung Waterfront Road, Tung Chung, Lantau Island, New Territories	<p>The property comprises a domestic unit on the 41st floor of a 49-storey residential building completed in 2002.</p> <p>The property has a gross floor area of approximately 689 sq.ft. (64.01 sq.m.) for domestic use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from Ho Pik Ha and Chung Chi Kwong (independent third parties) to the Group for a term of 2 years from 31 October 2009 to 30 October 2011 at a monthly rent of HK\$8,300, inclusive of government rent, rates and management fees.</p>	No commercial value
4.	Unit B on 22nd Floor, Andes Plaza, 323 Queen's Road West, Sai Ying Pun, Hong Kong	<p>The property comprises a domestic unit on the 22nd floor of a 23-storey composite building completed in 1994.</p> <p>The property has a gross floor area of approximately 492 sq.ft. (45.71 sq.m.) for domestic use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from Lai Kam Fung Agnes (an independent third party) to the Group for a term of 2 years from 21 September 2009 to 20 September 2011 at a monthly rent of HK\$8,200, inclusive of government rent, rates and management fees.</p>	No commercial value
5.	Unit A on 20th Floor, Kiu Yin Commercial Building, 361-363 Lockhart Road, Wanchai, Hong Kong	<p>The property comprises an office unit on the 20th floor of a 23-storey office building completed in 1992.</p> <p>The property has a gross floor area of approximately 575 sq.ft. (53.42 sq.m.) for commercial use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from Smart Pacific Trading Limited (a connected party of the Company) to the Group for a term of 2 years from 1 August 2009 to 31 July 2011 at a monthly rent of HK\$9,000, inclusive of government rent, rates and management fees.</p>	No commercial value

VALUATION CERTIFICATE

Group IV – Property interests leased to the Group in the PRC

Property interest	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
6. Unit 3408, East Block Yang Cheng International Commercial Building, No. 122 Tiyu East Road, Tianhe District, Guangzhou, the PRC	<p>The property comprises an office unit on Level 34 of a 36-storey building completed in 1996.</p> <p>The property has a total gross floor area of approximately 90 sq.m. for office use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from 陳少芬 (translated as Chan Siu Fan) (an independent third party) to the Group for a term of 2 years from 2 January 2010 to 1 January 2012 at a monthly rent of RMB7,200.</p> <p>According to the legal opinion prepared by the Company's legal adviser on the PRC laws:</p> <ul style="list-style-type: none"> (i) the lease agreement is legal, valid and enforceable under the PRC laws; (ii) the Group has the rights to occupy the property in accordance with the lease agreement; (iii) the tenancy agreement has been registered. 	No commercial value
7. Unit 5, Block 6, Yuan Yue Lane, Da Wu Feng Living Zone, Wu Xia Street, Dongli District, Tianjin, the PRC	<p>The property comprises a 2-storey building completed in 1992.</p> <p>The property has a total gross floor area of approximately 120.66 sq.m. for residential use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from 袁興華 (translated as Yuen Hing Wa) (an independent third party) to the Group for a term of 1 year from 1 January 2010 to 31 December 2010 at a monthly rent of RMB3,000.</p> <p>According to the legal opinion prepared by the Company's legal adviser on the PRC laws:</p> <ul style="list-style-type: none"> (i) the lease agreement is legal, valid and enforceable under the PRC laws; (ii) the Group has the rights to occupy the property in accordance with the lease agreement; (iii) the tenancy agreement has been registered. 	No commercial value

VALUATION CERTIFICATE

Group IV – Property interests leased to the Group in the PRC

	Property interest	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
8.	Units 1803 and 1812, Block 1, Hu Ban Building, No. 1250 Zhongshan Bei Yi Road, Hong Kou District, Shanghai, the PRC	<p>The property comprises various office units on Level 18 of a 21-storey building completed in the 1980s.</p> <p>The property has a total gross floor area of approximately 222.73 sq.m. for office use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from 上海浩鋼工貿有限公司 (translated as Shanghai Haogang Industrial Trading Company Limited) (an independent third party) to the Group for a term of 1 year from 1 August 2010 to 31 July 2011 at a monthly rent of RMB8,335.</p> <p>According to the legal opinion prepared by the Company's legal adviser on the PRC laws:</p> <p>(i) the lease agreement is legal, valid and enforceable under the PRC laws;</p> <p>(ii) the Group has the rights to occupy the property in accordance with the lease agreement;</p> <p>(iii) the tenancy agreement has not been registered but this does not affect the validity of it.</p>	No commercial value
9.	Unit 210, Level 2, No. 79 Aona Road, Waigaoqiao Baoshui District, Shanghai, the PRC	<p>The property comprises a unit on Level 2 of a 4-storey building completed in 2006.</p> <p>The property has a gross floor area of approximately 25 sq.m. for ancillary office and storage uses. The property is currently used as its prescribed use.</p> <p>The property is currently leased from 中機浦發工貿(集團)有限公司 (translated as Zhongji Pufa Industrial Trading Company Limited) (an independent third party) to the Group for a term of 1 year from 10 June 2010 to 9 June 2011 at an annual rent of RMB27,000.</p> <p>According to the legal opinion prepared by the Company's legal adviser on the PRC laws:</p> <p>(i) the lease agreement is legal, valid and enforceable under the PRC laws;</p> <p>(ii) the Group has the rights to occupy the property in accordance with the lease agreement;</p> <p>(iii) the tenancy agreement has not been registered but this does not affect the validity of it.</p>	No commercial value

VALUATION CERTIFICATE

Group IV – Property interests leased to the Group in the PRC

Property interest	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
10. Unit 125, Level 1, Block A, No. 559 Wuchang Road, Hongkou District, Shanghai, the PRC	<p>The property comprises a unit on Level 1 of a 5-storey building completed in the 1980s.</p> <p>The property has a gross floor area of approximately 20 sq.m. for office use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from 上海市虹口區人民政府四川北路街道辦事處 (Shanghai Hongkou District People's Municipal Government Sichuan North Road Offices) (an independent third party) to the Group for a term of 1 year from 8 February 2010 to 7 February 2011 at nil rent subject to a deposit of RMB5,000.</p> <p>According to the legal opinion prepared by the Company's legal adviser on the PRC laws:</p> <p>(i) the lease agreement is legal, valid and enforceable under the PRC laws;</p> <p>(ii) the Group has the rights to occupy the property in accordance with the lease agreement.</p>	No commercial value

VALUATION CERTIFICATE

Group V – Property interests leased to the Group in Singapore

Property interest	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
11. 20 Harbour Drive #05-01, PSA VISTA, Singapore 117612	<p>The property comprises an office portion on Level 5 of a 9-storey (including a basement) building completed in 1998.</p> <p>The property has a total gross floor area of approximately 137 sq.m. for office use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from Vista Real Estate Investment Pte Ltd (an independent third party) to the Group for a term of 3 years from 15 January 2008 to 14 January 2011 at a monthly rent of S\$4,392.22.</p> <p>Both parties have agreed to renew the tenancy for a further term of 3 years from 15 January 2011 to 14 January 2014 at the same monthly rent subject to an option to renew for a further term of 2 years at a revised rent to be mutually agreed by both parties.</p>	No commercial value
12. Block 374 Clementi Avenue 4 #08-174, Singapore 120374	<p>The property comprises an apartment unit on Level 8 of a 10-storey building completed in 1981.</p> <p>The property has a total gross floor area of approximately 68 sq.m. for residential use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from LOH WOON KENG, NRIC (an independent third party) to the Group for a term of 1 year from 21 October 2010 to 20 October 2011 at a monthly rent of S\$1,950, inclusive of conservancy fee.</p>	No commercial value

Group VI – Property interest leased to the Group in Dubai

13. Executive Offices #R30-19, 30th Floor, Reef Tower JLT, Dubai, UAE	<p>The property comprises an office unit on Level 30 of a 32-storey (including two basements) commercial building completed in 2008.</p> <p>The property has a total gross floor area of approximately 12.75 sq.m. for office use. The property is currently used as its prescribed use.</p> <p>The property is currently leased from Reef Service Office JLT (an independent third party) to the Group for a term of 12 months from 9 August 2010 to 8 August 2011 at a monthly rent of AED8,000.</p>	No commercial value
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The discussion below provides information about certain provisions of our memorandum and articles of association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our memorandum and articles of association.

The Company was incorporated in the Republic of Singapore as a limited liability company on 29 June 1989 under the Companies Act (Chapter 50) of Singapore (the “Act”). The memorandum of association of the Company (the “Memorandum”) and the articles of association of the Company (the “Articles”) comprise its constitution.

(A) DIRECTORS

(i) Power to allot and issue shares

Subject to the Statutes and these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner and redemption being determined by the Directors, Provided always that:

- (a) except in the case of an issue made on a pro rata basis to members or a share option scheme or share scheme approved by the Company, no director shall participate in any issue of shares or convertible securities unless the Company in General Meeting shall have approved the specific allotment;
- (b) no shares shall be issued to transfer a controlling interest in the Company without the specific prior approval of the Company in General Meeting; and
- (c) that the total number of issued preference shares shall not at any time exceed the total number of the issued ordinary shares issued for the time being.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all members alike.

The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.

Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the Singapore Exchange Securities Trading Limited's listing rules, all new shares shall before issue be offered to such persons as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company.

The Company may, notwithstanding the above provision, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.

Notwithstanding the above provision, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

- (a) (i) issue shares in the capital of 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) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited;

- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Singapore Exchange Securities Trading Limited) and these presents; and
- (3) (unless revoked or varied by the Company in General Meeting), the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

(iii) Compensation or payments for loss of office

The Board shall obtain the approval of the Company in General Meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

(iv) Loans and provision of security for loans to Directors

Except as would, if the Company were a company incorporated in Hong Kong, be permitted by Section 157H of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force at the date of adoption of these Articles, and except as permitted under the Act, the Company, if it were a company incorporated in Hong Kong, shall not directly or indirectly:

- (a) make a loan to a Director or a director of any holding company of the Company or to any of their respective associates (as defined by the rules, where applicable, of the Designated Stock Exchange);
- (b) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or such a director; or

- (c) if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Financial assistance to purchased shares of the Company

Except as allowed by the Statutes and subject further to compliance with the rules and regulations of the Designated Stock Exchange and any other relevant regulatory authority, the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may be party to or be in any way, whether directly or indirectly, interested in any contract or arrangement or transaction or proposed contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof, provided that he shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purpose of this provision, a general notice to the Board by a Director to the effect that:

- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or
- (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under this provision in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

(vii) Remuneration

The ordinary remuneration of the Directors, which shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. The ordinary remuneration of the Directors shall be payable by a fixed sum and not by a commission on or a percentage of profits or turnover.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine, other than by a commission on or percentage of turnover.

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(viii) Appointment, retirement and removal

The Company may by Ordinary Resolution appoint any person to be a Director either as an additional Director or to fill a casual vacancy. Without prejudice thereto the Directors shall also have power at any time so to do, but so that the total number of Directors shall not thereby exceed the maximum number fixed by or in accordance with these presents. Any person so appointed by the Directors shall hold office only until the next General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

At each Annual General Meeting, one-third of the Directors for the time being (or, if their numbers is not a multiple of three, the number nearest one-third) shall retire from office by rotation, Provided that all Directors shall retire at least once every 3 years.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by ballot. A retiring Director shall be eligible for re-election.

The Company may in accordance with and subject to the provisions of the Statutes by Ordinary Resolution of which special notice has been given, remove any Director from office (notwithstanding any provision of these presents or of any agreement between the Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement) and appoint another person in place of a Director so removed from office and any person so appointed shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last appointed a Director.

(ix) Borrowing powers

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(x) Qualification shares

Directors of the Company are not required to hold any qualification shares.

(B) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

Where the Articles have been approved by the Designated Stock Exchange, no provisions of these Articles shall be deleted, amended or added without the prior written approval of such stock exchange which had previously approved these presents.

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the members. A special resolution shall be required to alter the provisions of the memorandum of association and as permitted in the circumstances provided under the Act.

(C) ALTERATION OF CAPITAL

The Company may by Ordinary Resolution alter its share capital in the manner permitted under the Act including without limitation:

- (a) consolidate and divide all or any of its shares;
- (b) cancel the number of shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited, and diminish its share capital in accordance with the Act;
- (c) sub-divide its shares, or any of them, provided always that in such subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (d) subject to the provisions of the Statutes and these presents, convert any class of shares into any other class of shares; and/or
- (e) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in General Meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

Subject to a special resolution being passed by the shareholders of the Company in general meeting and court approval being obtained if so required by law, the Company may reduce its share capital or any undistributable reserve.

(D) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meeting of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least

one-third of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

(E) VOTING RIGHTS

Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, a resolution put to the vote of General Meeting shall be decided on a poll by every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a member, or attend, vote or act at any meeting of the Company.

At any General Meeting a resolution put to the vote of the meeting shall be decided on a poll but a proxy shall be entitled to vote on a show of hands on any matter at any general meeting.

If a clearing house (or its nominee(s)), being a corporation, is a member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

Where the Company has knowledge that any member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(F) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.

(G) ACCOUNTS AND AUDIT

Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Statutes shall be kept at the Office, or at such other place as the Directors think fit. No member of the Company or other person shall have any right of inspecting any account or book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorized by the Directors.

The accounts shall record the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Statutes or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The Directors shall in accordance with the provisions of the Act cause to be prepared and laid before a General Meeting of the Company such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed four months (or such other period as may be permitted by the law, the Statutes or the bye-laws or listing rules of the Singapore Exchange Securities Trading Limited).

A copy of either the Directors' report accompanied by every balance-sheet and profit and loss account which is to be laid before a General Meeting of the Company (including every document required by law to be comprised therein or attached or annexed thereto) shall not less than twenty one days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices of General Meetings from the Company under the provisions of the Statutes or of these presents. Provided that this Article shall not require a copy of these documents to be sent to more than one of any joint holders or to any person of whose address the Company is not aware, but any member or holder of debentures to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

An Auditor shall be entitled to attend any General Meeting and to receive all notices of and other communications relating to any General Meeting which any member is entitled to receive and to be heard at any General Meeting on any part of the business of the meeting which concerns him as Auditor.

(H) NOTICES OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

Any Annual General Meeting and any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one clear business days' notice in writing at the least and any other Extraordinary General Meeting, by fourteen clear business days' notice in writing at the least. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(I) TRANSFER OF SHARES

All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit. If the transferor or transferee is a clearing house or its nominee(s), an instrument of transfer can be signed by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefore, be entitled in its absolute discretion to give or withhold), no shares upon the Register of Members shall be transferred to any branch Register of Members nor shall shares on any branch Register of Members be transferred to the Register of Members or any other branch Register of Members and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the Register of Members, at the office or such other place at which the Register of Members is kept in accordance with the Statutes.

There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) which shall also be free from all lien but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

The Directors may decline to register any instrument of transfer unless:

- (a) such fee not exceeding S\$2.00 as the Directors may from time to time require and in any event not exceeding the maximum fees prescribed by the Designated Stock Exchange is paid to the Company in respect thereof;
- (b) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

- (c) the instrument of transfer is in respect of only one class of shares.

The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, by the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.

(J) POWER FOR THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, subject to and in accordance with the Act and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or otherwise acquire ordinary shares (which expression as used in this Article includes redeemable Shares) in the issued share capital of the Company out of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for the purposes of such purchases or acquisition on such terms and in such manner as the Company may from time to time think fit.

(K) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid under any portion or portions of the period in respect of which the dividend is paid.

The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution, provided that the amount of its net assets shall not be less than the aggregate of its called up share capital and undistributable reserves; and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate.

Any dividend unclaimed after six (6) years from the date of declaration shall be made forfeit and revert to the Company.

(L) PROXIES

A member shall be entitled to appoint more than one proxy to attend and vote at the same General Meeting. However, if the member is a Depositor, the Company shall be entitled and bound:

- (a) to reject any instrument of proxy lodged by the Depositor if it is not shown in the Depository Register as certified by CDP or a clearing house (as the case may be) to the Company that there are any shares entered against such Depositor's name, as at 48 hours before the time of the relevant General Meeting; and
- (b) to accept as the number of shares entered against the name of that Depositor in the Depository Register as certified by CDP or a clearing house (as the case may be) to the Company 48 hours before the time of the relevant General Meeting as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll, regardless of whether such number is greater or smaller than the number specified in the instrument of proxy lodged by that Depositor.

Where a member appoints more than one proxy, the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

A proxy need not be a member of the Company.

(M) CALL ON SHARES AND FORFEITURE OF SHARES

If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeit share and not actually paid before forfeiture.

A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.

A member whose shares have been made forfeit or surrendered shall cease to be a member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

(N) INSPECTION OF REGISTER OF MEMBERS

The Register of Members and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by members without charge or by any other person, upon a maximum payment of S\$2.50 or such lesser sum specified by the Board, at the Office or such other place at which the Register of Members is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of S\$1.00 or such lesser sum specified by the Board at the Registration Office.

(O) QUORUM FOR MEETINGS

The quorum at any General Meeting shall be two members present in person or by proxy.

(P) PROCEDURES ON LIQUIDATION

The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members in specie or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members of different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(Q) UNTRACEABLE MEMBERS

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:

- (1) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during a period of 12 years in the manner authorised by the Article have remained uncashed;
- (2) so far as it is aware at the end of the 12-year period mentioned in this Article, the Company has not at any time during the said period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (3) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, on expiry of the 12-year period mentioned in this Article, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

The following summarises the salient provisions of the laws of Singapore applicable to the Shareholders as the date of this document regardless of whether the shares are registered with the share register in Hong Kong or that in Singapore. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed on or conferred by the corporate law of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise. Prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal obligations under the relevant laws.

Prospective investors and/or Shareholders can access the full text of the relevant Singapore legislations cited in the summaries below via the weblinks listed in Appendix VII to this document.

CORPORATE LAW OF SINGAPORE

1. Reporting Obligations of Shareholders

1.1 Obligation to notify company of substantial shareholding and change in substantial shareholding

Section 81 of the Singapore Companies Act

Pursuant to section 81 of the Singapore Companies Act, a person has a substantial shareholding in a company if he 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 5 per cent of the total votes attached to all the voting shares in the company. Further, section 82 of the Singapore Companies Act provides that a substantial shareholder of a company is required to notify the company in writing of his interests in the voting shares in the company within two business days after becoming a substantial shareholder.

Sections 83 and 84 of the Singapore Companies Act

A substantial shareholder is required to notify the company of changes in the percentage level of his shareholding or his ceasing to be a substantial shareholder, within two business days after he is aware of such changes (sections 83 and 84 of the Singapore Companies Act).

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold.

1.2 Consequences of Non-Compliance

Section 89 of the Singapore Companies Act

Section 89 of the Singapore Companies Act provides for the consequences of non-compliance with sections 82, 83 and 84. Under section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

Section 90 of the Singapore Companies Act

Section 90 provides for a defence to a prosecution for failing to comply with sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he was not so aware on the date of the summons; or he became so aware less than 7 days before the date of the summons. However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time (a) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or (b) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

1.3 Powers of the court with respect to defaulting substantial shareholders

Section 91 of the Singapore Companies Act

Under section 91 of the Singapore Companies Act, where a substantial shareholder fails to comply with sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;

- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded;
- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

Any order made under this section may include such ancillary or consequential provisions as the Court thinks just.

The Court shall not make an order other than an order restraining the exercise of voting rights, if it is satisfied (a) that the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and (b) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

1.4 Obligation to Notify the SGX-ST of Substantial Shareholding and Change in Substantial Shareholding

Section 137(1) of the Securities and Futures Act (“SFA”)

A substantial shareholder is also required under section 137(1) of the SFA to give the above notifications to the SGX-ST, such as when the shareholder becomes a substantial shareholder, changes to the percentage level of his substantial shareholding, or his ceasing to be a substantial shareholder. Any person who fails to comply with section 137(1) is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$25,000 and, in the case of a continuing offence, to a further fine of S\$2,500 for every day or part thereof during which the offence continues after conviction.

Hong Kong shareholders can comply with their notification obligations under section 137(1) of the SFA by downloading the prescribed notification form currently available on the SGX-ST website and faxing the signed and completed form to the Company and SGX-ST. Shareholders may consult Singapore legal professionals if they need assistance with such compliance procedure.

1.5 Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and Securities Industry Council

Section 330 of the SFA

Under section 330 of the SFA, any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both. Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both.

1.6 Obligation to disclose beneficial interest in the voting shares of the company

Section 92 of the Singapore Companies Act

Section 92 of the Singapore Companies Act provides that a company which has all of its shares listed on a stock exchange in Singapore may require any member to inform it whether the member holds the voting shares in the company as beneficial owner or trustee, and in the latter, who the beneficiaries are. If the member discloses that he is holding the shares on trust for another party, the company may additionally require the other party to inform it whether the other party holds the interests as beneficial owner or as trustee and if the latter, for whom. A listed company also has the right to require the member to inform it of any voting agreement that he may have in relation to the shares held by him.

1.7 Consequences of non-compliance

Section 92 of the Singapore Companies Act

Under section 92(6), the failure to comply with a notice requiring disclosure of information is an offence, unless it can be shown that the information was already in the possession of the company or that the requirement to give it was frivolous or vexatious. A person who deliberately or recklessly makes a statement that is false in a material particular in compliance to a request for information under section 92 is also guilty of an offence, and is likewise liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 2 years.

2. Prohibited Conduct in Relation to Trading in the Securities of the Company

2.1 Prohibitions against false trading and market manipulation

Section 197 of the SFA

Section 197 of the SFA prohibits (i) the creation of a false or misleading appearance of active trading in any securities on a securities exchange; (ii) the creation of a false or misleading appearance with respect to the market for, or price of, any securities on a securities exchange; (iii) affecting the price of securities by way of purchases or sales which do not involve a change in the beneficial ownership of those securities; and (iv) affecting the price of securities by means of any fictitious transactions or devices.

Under section 197(3), a person is deemed to have created a false or misleading appearance of active trading in securities on a securities market if he does any of the following acts:

- (i) if he effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, which does not involve any change in the beneficial ownership of the securities;
- (ii) if he makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or

- (iii) if he makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

2.2 Prohibition against securities market manipulation

Section 198 of the SFA

Under section 198(1) of the SFA, no person shall carry out directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to purchase them. Section 198(2) provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

2.3 Prohibition against the manipulation of the market price of securities by the dissemination of misleading information

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining or stabilising the market price of securities, if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of transactions entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

2.4 Prohibition against fraudulently inducing persons to deal in securities

Section 200 of the SFA

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, (a) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by any dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

2.5 Prohibition against employment of manipulative and deceptive devices

Section 201 of the SFA

Section 201 of the SFA prohibits (i) the employment of any device, scheme or artifice to defraud; (ii) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person; and (iii) making any untrue statement of a material fact or omitting to state a material fact necessary to make statements made not misleading, in connection with the subscription, purchase or sale of any securities.

2.6 Prohibition against the dissemination of information about illegal transactions

Section 202 of the SFA

Section 202 of the SFA prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of any transaction entered into or to be entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

3. Prohibition against Insider Trading

Sections 218 and 219 of the SFA

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, which is expected to have a material effect on the price or value of securities of that corporation. Such persons include substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship by being an officer of a substantial shareholder of the corporation or a related corporation, or any other person in possession of inside information. For an alleged contravention of section 218 or 219, section 220 makes it clear that it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in section 218(1) (a) or (1A) (a) or 219(1) (a) in contravention of section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 sets out when a reasonable person would be taken to expect information to have a material effect on the price or value of securities. Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

3.1 Penalties*Section 232 of the SFA*

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the offender may have to pay a civil penalty of a sum (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes sections 197, 198, 201 or 202 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 204 of the SFA. Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under section 232 in respect of the contravention.

Section 221 of the SFA

Any person who contravenes section 218 or 219, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 221 of the SFA. Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of section 218 or 219 after a court has made an order against him for the payment of a civil penalty under section 232 in respect of that contravention.

4. Takeover Obligations

4.1 *Offences and obligations relating to take-overs*

Section 140 of the SFA

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if (a) he has no intention to make a take-over offer; or (b) he has no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be. A person who contravenes section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both.

4.2 *Obligations under the Singapore Code on Take-overs and Mergers (the “Singapore Takeover Code”) and the consequences of non-compliance*

(i) Obligations under the Singapore Takeover Code

The Singapore Takeover Code regulates the acquisition and transfer of ordinary shares (and other instruments convertible into shares) of public companies and contains certain provisions that regulate any potential or possible takeover or change in control of the Company.

Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of voting Shares in any six-month period, he must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeover Code.

“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

- a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company and its pension funds and employee share schemes;
- a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- partners; and
- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the "Offeror") must make a public announcement stating, inter alia, the terms of the offer and its identity. The Offeror must post an offer prospectus not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer prospectus was posted.

The Offeror may vary the offer by offering more for the shares or by extending the period in which the offer remains open. If a variation is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer prospectus. The revised offer must be kept open for at least another 14 days. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Takeover Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

(ii) Consequences of non-compliance with the requirements under the Singapore Takeover Code

The Singapore Takeover Code is non-statutory in that it does not have the force of law. Therefore, as provided in section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Takeover Code shall not of itself render that party liable to criminal proceedings.

However, the failure of any party to observe any of the provisions of the Singapore Takeover Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 further provides that where the Securities Industry Council has reason to believe that any party concerned in a take-over offer or a matter connected therewith is in breach of the provisions of the Singapore Takeover Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the Securities Industry Council has power to enquire into the suspected breach or misconduct. The Securities Industry Council may summon any person to give evidence on oath or affirmation, which it is thereby authorised to administer, or produce any prospectus or material necessary for the purpose of the enquiry.

5. Shareholder protection matters

The major differences in the shareholder protection offered under the Singapore Companies Act and the Articles of Association are set out below:

- (a) The shareholding threshold entitling members to require a company to convene an extraordinary general meeting under the Singapore Companies Act is higher than that stipulated under the Companies Ordinance. Under the Companies Ordinance, a holder of 5% shareholding can require the directors of the company to convene an extraordinary general meeting ('EGM'); whereas under the Singapore Companies Act, the minimum threshold is 10% shareholding; and
- (b) The threshold under the Singapore Companies Act is higher than that stipulated under the Companies Ordinance in respect of the minimum shareholding or the minimum number of shareholders for shareholders to require the company to (i) circulate a notice of any resolution to be moved at an annual general meeting, or (ii) in the case of any other meeting, circulate a statement regarding the matter referred to in any proposed resolution or the business to be dealt with at that meeting. In Hong Kong, members with an aggregate shareholding of 2.5% in a company or a minimum of 50 can require a company to circulate a notice of any resolution or circulate a statement to other members of the company but under the Singapore Companies Act, the threshold is 5% shareholding or 100 members.

6. Protection of minorities

6.1 *Singapore law*

Section 216 of the Singapore Companies Act may be invoked where there is 'oppression' of a member or where a member's interests are 'disregarded'. It may also be invoked where there is a resolution or act that 'unfairly discriminates' against or is 'otherwise prejudicial' to a member. Some situations where relief has been granted under Section 216 of the Singapore Companies Act include:

- a. When the dominant members pursue a course of conduct designed by them to advance their own interests or the interests of others of their choice to the detriment of the company or to the detriment of the other shareholders.
- b. When the dominant members run the company as if it were their own, disregarding the rights and interests of the other members.
- c. Where the majority shareholders or directors abuse their voting powers by voting in bad faith and for a collateral purpose.

6.2 *Hong Kong law*

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner, unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

In addition, Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have been guilty of a breach of their fiduciary duties to the company, if such directors control a majority of voting power at a general meeting of the company thereby effectively preventing a company from suing the directors in breach in its own name.

7. Exchange control

Subject to the payment of the applicable taxes described in paragraph 8 below, there is no restriction or time frame imposed on the reinvestment or repatriation of earnings and capital under Singapore laws, so long as there is no breach of any rule for international monitoring for countering money-laundering and terrorism. In addition, Singapore laws do not impose significant restrictions on remittances, foreign exchange transactions or capital movements.

8. Taxation

8.1 *Scope of Tax in general*

Corporate taxpayers are subject to Singapore income tax on all income accruing in or derived from Singapore or received/deemed received in Singapore (unless specifically exempt from income tax).

Foreign-sourced income in the form of dividends, branch profits and services income remitted or deemed remitted to Singapore by Singapore tax resident companies are exempt from Singapore income tax if the following conditions are met:

- (i) the income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and
- (iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign-sourced income.

For individuals, all foreign-sourced income received in Singapore is exempt from income tax, except for income received through a partnership in Singapore.

8.2 Rates of Tax

The prevailing corporate tax rate is 18%. The effective tax rate is lower due to the partial tax exemption on corporate taxpayers' first \$300,000 income chargeable to income tax at 18% (excluding Singapore franked dividends) as follows:

- (i) First three Years of Assessment of tax resident Singapore incorporated companies with no more than 20 individual shareholders of which at least one is an individual holding at least 10% of total number of issued ordinary shares throughout the basis period relating to the Year of Assessment of claim:
 - 100% of first \$100,000 chargeable income;
 - 50% of next \$200,000 chargeable income.

- (ii) All other cases:
 - 75% of first \$10,000 chargeable income;
 - 50% of next \$290,000 chargeable income.

During the 2009 Budget unveiled on 22 January 2009, it was announced that the corporate income tax rate will be reduced to 17% with effect from the year of assessment 2010. Singapore tax-resident individuals are subject to tax on their taxable income based on a progressive scale. The top marginal rate for Year of Assessment 2009 (basis period calendar year 2008) is 20%. Non-Singapore tax resident individuals are subject to income tax on their taxable income at a flat rate of 20%, except that their Singapore employment income is taxed at a flat rate of 15% or at tax resident rates, whichever yields a higher tax.

8.3 Tax Residency

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore (for example, where meetings of the boards of directors are held in Singapore). An individual is regarded as a tax resident in Singapore for a Year of Assessment if, in the preceding year, he was physically present or has exercised employment in Singapore (other than as a director of a company) for 183 or more days, or if he resides in Singapore.

8.4 Dividend Distributions

Singapore adopts the one-tier corporate tax system (“One-Tier System”) which took effect from 1 January 2003. Under the One-Tier System, the tax paid by companies on their corporate profits is final and dividends paid by Singapore tax resident companies are exempt from Singapore income tax in the hands of all Shareholders. There will be no tax credits attached to such dividends. There is no withholding tax on dividend payments to non-resident Shareholders.

8.5 Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. However, gains arising from the disposal of our ordinary shares that are construed to be of an income nature will be subject to tax if the gains arise from activities which the Comptroller of Income Tax considers as the carrying on of a trade or business in Singapore. Hence, any profits from the disposal of ordinary shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case the gains on disposal of the ordinary shares would be taxable.

8.6 Estate Duty

With effect from 15 February 2008, Singapore estate duty is abolished.

8.7 Goods and Services Tax (“GST”)

Services such as brokerage, handling and clearing charges rendered by a GST registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale or holding of shares will be subject to GST at the standard rate (currently at 7%). Similar services rendered to an investor belonging outside of Singapore may be zero-rated if certain conditions are met.

9. Extraordinary General Meetings

Section 176 of the Singapore Companies Act provides that the directors must convene an extraordinary general meeting if the requisite threshold of members requisition for one, notwithstanding anything in the company’s articles. A meeting may be requisitioned by any members holding not less than 10% of such paid-up capital of the company as carries voting rights or, in the case of a company without a share capital, by members representing not less than 10% of the total voting rights.

Section 183 of the Singapore Companies Act provides that the company shall circulate to all members entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the meeting and a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The number of members necessary for such a requisition shall be any number of members representing not less than 5% of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

The Shares are currently listed on the SGX-ST and the Company intends to list its Shares on the Hong Kong Stock Exchange following the Introduction. The Company sets out below a summary of the major differences between the Listing Rules and the Listing Manual, certain applicable laws and regulations of Singapore and Hong Kong, and the takeover rules under the Singapore Code, the Takeovers Code and certain relevant legislations concerning companies with listed securities. However, this summary is for general guidance only and is not and shall not be relied on as legal advice or any other advice to Shareholders. The summary is not meant to be a comprehensive or exhaustive description of all the relevant Singapore and Hong Kong laws, rules and regulations. In addition, Shareholders should also note that the laws, rules and regulations applicable to the Company and Shareholders may change, whether as a result of proposed legislative reforms to the Singapore or Hong Kong laws, rules or regulations or otherwise. Prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal rights and obligations under Singapore laws and Hong Kong laws. In the event of any conflict between the Listing Rules and the Listing Manual, the Company shall comply with the more restrictive and stringent rule. As advised by the legal advisers of the Company as to Hong Kong laws, the Directors are not aware of any major conflicts (i) between the Listing Rules and the Listing Manual and (ii) between the takeover rules under the Singapore Code and the Takeovers Code, which may cause difficulties to the Company and/or the Shareholders to comply with the rules under both regimes. The Sponsor also concurs on the views of the Directors.

A. PRINCIPAL DIFFERENCES BETWEEN THE CONTINUING OBLIGATIONS APPLICABLE TO LISTED COMPANIES UNDER THE LISTING RULES AND THE LISTING MANUAL AND CERTAIN APPLICABLE SINGAPORE AND HONG KONG LAWS

	Listing Rules and Hong Kong laws	Listing Manual and Singapore laws
1. FINANCIAL REPORTING OBLIGATIONS		
(A) Annual reports	Rule 13.46 of the Listing Rules	Rule 707 of the Listing Manual
	A listed company shall send to (i) every member of the listed company; and (ii) every other holders of its listed securities (not being bearer securities), a copy of either (a) its annual report including its annual accounts and, where the listed company prepares group accounts, its group accounts, together with a copy of the auditors' report thereon or (b) its summary financial report, not less than 21 days before the date of the listed company's annual general meeting and in any event not more than four months after the end of the financial year to which they relate.	(1) The time between the end of an issuer's financial year and the date of its annual general meeting (if any) must not exceed four months. (2) An issuer must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.
(B) Preliminary result announcements for full financial year	Rule 13.49(1) of the Listing Rules	Rule 705 of the Listing Manual
	A listed company shall publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The listed company must publish such results: (a) for annual accounting periods ending before 31 December 2010 – not later than four months after the end of the financial year; and	(1) An issuer must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period. (2) An issuer must announce the financial statements for each of the first three quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if: (a) its market capitalisation exceeded S\$75 million as at 31 March 2003; or

	Listing Rules and Hong Kong laws	Listing Manual and Singapore laws
	(b) for annual accounting periods ending on or after 31 December 2010 – not later than three months after the end of the financial year.	(b) it was listed after 31 March 2003 and its market capitalisation exceeded S\$75 million at the time of listing (based on the IPO issue price); or
(C) Interim reports	<p>Rule 13.48(1) of the Listing Rules In respect of the first six months of each financial year of a listed company unless that financial year is of six months or less, the listed company shall send to (i) every member of the listed company; and (ii) every other holder of its listed securities (not being bearer securities), either (a) an interim report, or (b) a summary interim report not later than three months after the end of that period of six months.</p>	(c) its market capitalisation is S\$75 million or higher on the last trading day of each calendar year commencing from 31 December 2006.
(D) Preliminary result announcements for first half of financial year	<p>Rule 13.49(6) of the Listing Rules A listed company shall publish in respect of its results for the first six months of each financial year, unless that financial year is of six months or less, as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The listed company must publish such results:</p> <p>(a) for half-year accounting periods ending before 30 June 2010 – not later than three months after the end of that period of six months; and</p> <p>(b) for half-year accounting periods ending on or after 30 June 2010 – not later than two months after the end of that period of six months.</p>	<p>An issuer whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting. As an illustration, an issuer whose market capitalisation is S\$75 million or higher as at the end of the calendar year 31 December 2006 must announce its quarterly financial statements for any quarter of its financial year commencing in 2008.</p> <p>Notwithstanding the grace period, all issuers whose obligation falls under this sub-section (c) are strongly encouraged to adopt quarterly reporting as soon as possible.</p> <p>(3) (a) An issuer who falls within the sub-sections in Rule 705(2) above must comply with Rule 705(2) even if its market capitalisation subsequently decreases below S\$75 million.</p> <p>(b) An issuer who does not fall within the sub-sections in Rule 705(2) above must announce its first half financial statements immediately after the figures are available, but in any event not later than 45 days after the relevant financial period.</p>

	Listing Rules and Hong Kong laws	Listing Manual and Singapore laws
(E) Quarterly financial results	No such requirement for companies listed on the Main Board. However, information disclosed pursuant to the Listing Manual in Singapore will be simultaneously disclosed in Hong Kong as required under Rule 13.09(2) of the Listing Rules.	(4) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable, but excluding full year financial statements), an issuer's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. In order to make this confirmation, Directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by 2 directors on behalf of the board of directors.

2. DISCLOSURE OBLIGATIONS

(A) Notifiable transactions	<p style="text-align: center;">Chapter 14 of the Listing Rules</p> <p>The transactions of a listed company are classified as:</p> <p>(1) share transaction: an acquisition of assets (excluding cash) by a listed company where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5%;</p> <p>(2) discloseable transaction: a transaction or a series of transactions by a listed company where any percentage ratio is 5% or more, but less than 25%;</p> <p>(3) major transaction: a transaction or a series of transactions by a listed company where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal;</p> <p>(4) very substantial disposal: a disposal or a series of disposals of assets by a listed company where any percentage ratio is 75% or more;</p>	<p style="text-align: center;">Chapter 10 of the Listing Manual (Acquisitions and Realisations)</p> <p>Under Chapter 10, transactions are classified as:</p> <p>(a) Non-Discloseable Transactions,</p> <p>(b) Discloseable Transactions;</p> <p>(c) Major Transactions; and</p> <p>(d) Very Substantial Acquisitions or Reverse Takeovers.</p> <p style="text-align: center;">Rule 1006, Listing Manual</p> <p>The relevant category that a transaction falls under depends on the size of the relative figures computed on the following bases:</p> <p>(a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.</p> <p>(b) The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.</p>
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- (5) very substantial acquisition: an acquisition or a series of acquisitions of assets by a listed company where any percentage ratio is 100% or more;
- (6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed company which, in the opinion of the Hong Kong Stock Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Listing Rules.

As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover have been finalised, the listed company must in each case (1) inform the Hong Kong Stock Exchange; and (2) publish an announcement in accordance with Rule 2.07C of the Listing Rules. For a major transaction, very substantial disposal, very substantial acquisition or reverse takeover, the listed company must send to its shareholders and the Hong Kong Stock Exchange a circular containing in the information as required under Chapter 14 of the Listing Rules.

With respect to a major transaction for acquisitions of businesses and/or companies, and very substantial acquisition and reverse takeover, the listed company shall provide the accountants' report for the 3 preceding financial years on the business, company or companies being acquired. With respect to very substantial disposal, the listed company shall provide an accountants' report on the listed company's group.

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- (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.
- (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.

Transactions are categorised as follows:

- Non-Discloseable Transaction: Where any of the relative figures in Rule 1006 is 5% or less
- Discloseable Transaction: Where any of the relative figures in Rule 1006 exceeds 5% but does not exceed 20%
- Major Transaction: Where any of the relative figures in Rule 1006 exceeds 20%
- Very Substantial Acquisition or Reverse Takeover: Where any of the relative figures in Rule 1006 is 100% or more, or where there is a change in control of the issuer

Where a transaction is classified as a Discloseable Transaction, Major Transaction or Very Substantial Acquisition/Reverse Takeover, the Company must make an immediate announcement, which includes the details prescribed in Rule 1010 of the Listing Manual.

Further, transactions that are Major Transactions are conditional upon the prior approval of shareholders. Very Substantial Acquisitions/Reverse Takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST.

	Listing Rules and Hong Kong laws	Listing Manual and Singapore laws
(B) Connected transactions	<p>For a major transaction, very substantial disposal and very substantial acquisition, the shareholders' approval is required, while the approvals from both the shareholders and the Hong Kong Stock Exchange are required for reverse takeover.</p>	<p>A circular to shareholders will need to be distributed to seek shareholders' approval.</p> <p>The disclosures required to be made in such circular for these types of transactions are prescribed in the Listing Manual.</p>
	Chapter 14A of the Listing Rules	Rule 904 of the Listing Manual
	<p>A listed company must publicly disclose a transaction entered into between the listed company or one of its subsidiaries and a connected person. Generally, a public announcement, a circular and/or independent shareholder approval are required unless one of the de-minimals or other exemptions set out below apply.</p>	<p>For the purposes of Chapter 9, the following definitions apply:</p>
	<p>The term 'connected person' is very widely defined under the Listing Rules and include directors, chief executive, substantial shareholders (i.e. shareholders interested in 10% or more of the equity interest in the listed company or any of its subsidiaries), associates (as defined under the Listing Rules) of directors, chief executive or substantial shareholders, non-wholly-owned subsidiaries of the listed company and its subsidiaries.</p>	<p>(1) "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.</p> <p>(2) "entity at risk" means:</p> <ul style="list-style-type: none"> (a) the issuer; (b) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or (c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.
	<p><i>Connected transactions or continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements:</i></p>	
	<p>A connected transaction or continuing connected transaction will be considered as de minimis transaction where each of the percentage ratios (other than the profits ratio) is/are: (a) less than 0.1%; or (b) less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the listed company by virtue of its/his relationship(s) with the listed company's subsidiary/subsidiaries; or (c) 5% and the total consideration is less than HK\$1,000,000, such connected transaction will be exempt from all the reporting, announcement and independent shareholders' approval requirements, and in the case of continuing connected transactions, the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules.</p>	<p>(3) "financial assistance" includes:</p> <ul style="list-style-type: none"> (a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and (b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.

Listing Rules and Hong Kong laws*Connected transactions exempt from the reporting and announcement requirements:*

A connected transaction or continuing connected transaction on normal commercial terms where each of the percentage ratios (other than the profits ratio) (a) is less than 5%; or (b) less than 25% and the total consideration is less than HK\$10,000,000, then such transaction is only subject to the reporting and announcement requirements, and in the case of continuing connected transactions, the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

Exemptions

In the case of connected transactions, the following transactions are not required to comply with the reporting, announcement and independent shareholders approval requirements:

- (1) intra-group transactions;
- (2) de minimis transactions;
- (3) issue of new securities under circumstances specified in Rule 14A.31 of the Listing Rules;
- (4) stock exchange dealings under circumstances specified in Rule 14A.31 of the Listing Rules;
- (5) purchase of own securities under circumstances specified in Rule 14A.31 of the Listing Rules;
- (6) directors' service contracts under circumstances specified in Rule 14A.31 of the Listing Rules;
- (7) consumer goods or consumer services under circumstances specified in Rule 14A.31 of the Listing Rules;

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(4) "interested person" means:

- (a) a director, chief executive officer, or controlling shareholder of the issuer; or
- (b) an associate of any such director, chief executive officer, or controlling shareholder.

(5) "interested person transaction" means a transaction between an entity at risk and an interested person.

(6) "transaction" includes:

- (a) the provision or receipt of financial assistance;
- (b) the acquisition, disposal or leasing of assets;
- (c) the provision or receipt of services;
- (d) the issuance or subscription of securities;
- (e) the granting of or being granted options; and
- (f) the establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets.

Listing Rules and Hong Kong laws

- (8) sharing of administrative services under circumstances specified in Rule 14A.31 of the Listing Rules;
- (9) transactions with persons connected at the level of subsidiaries under circumstances specified in Rule 14A.31 of the Listing Rules; and
- (10) transactions with associates of a passive investor under circumstances specified in Rule 14A.31 of the Listing Rules.

In the case of continuing connected transactions, only the circumstances in (2), (7), (8), (9) and (10) are applicable and where applicable, the transaction would also be exempt from the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules.

Listing Manual and Singapore laws

If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:

- (a) 5% of the group's latest audited net tangible assets; or
- (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the prescribed format.

If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

Listing Rules and Hong Kong laws**Listing Manual and Singapore laws**

The following transactions are not required to comply with Rules 905, 906 and 907:

- (1) A payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer's shares, made to all shareholders on a pro rata basis, including the exercise of rights, options or company warrants granted under the preferential offer.
- (2) The grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the SGX-ST.
- (3) A transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%.
- (4) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the issuer at the time of the transaction.
- (5) A transaction between an entity at risk and an interested person for the provision of goods or services if:
 - (a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and
 - (b) the sale prices are applied consistently to all customers or class of customers.

Such transactions include telecommunication and postal services, public utility services, and sale of fixed price goods at retail outlets.

Listing Rules and Hong Kong laws**Listing Manual and Singapore laws**

- (6) The provision of financial assistance or services by a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business.
- (7) The receipt of financial assistance or services from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business.
- (8) Director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).

3. ISSUANCE OF SHARES AND SHARES REPURCHASE REQUIREMENTS**(A) General Mandate**

Rule 13.36(2)(b) of the Listing Rules. The existing shareholders of the listed company may by an ordinary resolution in general meeting give a general mandate to the directors of the listed company which shall be subject to a restriction that the aggregate number of securities allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 20% of the existing issued share capital of the listed company plus the number of such securities repurchased by the listed company itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the existing issued share capital of the listed company), provided that the existing shareholders of the listed company have by a separate ordinary resolution in general meeting given a general mandate to the directors of the listed company to add such repurchased securities to the 20% general mandate.

Rule 13.36(3) of the Listing Rules A general mandate given under rule 13.36(2) of the Listing Rules shall only continue in force until (a) the conclusion of the first annual general meeting of the listed company following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or (b) revoked or varied by an ordinary resolution of the shareholders in general meeting.

Rule 806(2) of the Listing Manual

A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares.

A general mandate may remain in force until the earlier of the following:

- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
- (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

	Listing Rules and Hong Kong laws	Listing Manual and Singapore laws
(B) Repurchase Mandate	<p>Rule 13.36(2)(b) of the Listing Rules</p> <p>The existing shareholders of the listed company may by an ordinary resolution in general meeting give a general mandate to the directors of the listed company which shall be subject to a restriction that the aggregate number of securities allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 20% of the existing issued share capital of the listed company plus the number of such securities repurchased by the listed company itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the existing issued share capital of the listed company), provided that the existing shareholders of the listed company have by a separate ordinary resolution in general meeting given a general mandate to the directors of the listed company to add such repurchased securities to the 20% general mandate.</p> <p>Rule 10.05 of the Listing Rules</p> <p>Subject to the provisions of the Code on Share Repurchases, a listed company may purchase its shares on the Hong Kong Stock Exchange or on another stock exchange recognised for this purpose by the Securities and Futures Commission and the Hong Kong Stock Exchange. All such purchases must be made in accordance with Rule 10.06 of the Listing Rules. The Code on Share Repurchases must be complied with by a listed company and its directors and any breach thereof by a listed company will be a deemed breach of the Listing Rules and the Hong Kong Stock Exchange may in its absolute discretion take such action to penalise any breach of this Rule 10.05 or the listing agreement as it shall think appropriate. It is for the listed company to satisfy itself that a proposed purchase of shares does not contravene the Code on Share Repurchases.</p>	<p>Rule 881 of the Listing Manual</p> <p>An issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.</p> <p>Rule 882 of the Listing Manual</p> <p>A share buy-back may only be made on the SGX-ST or on another stock exchange on which the issuer's securities are listed ("Market Purchases") or by way of an off-market acquisition in accordance with an equal access scheme as defined in section 76C of the Singapore Companies Act.</p> <p>Rule 884 of the Listing Manual</p> <p>An issuer may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. For this purpose, the "Average Closing Price" means the average of the closing market prices of a share over the last 5 market days preceding the day of the Market Purchase on which transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.</p> <p>Rule 723 of the Listing Manual</p> <p>An issuer must ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.</p>

Listing Rules and Hong Kong laws**Listing Manual and Singapore laws****Rule 10.06(2) of the Listing Rules**

A listed company shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Hong Kong Stock Exchange; and a listed company shall not purchase its shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

Rule 8.08 of the Listing Rules

There must be an open market in the securities for which listing is sought. This will normally mean at least 25% of the listed company's total issued share capital must at all times be held by the public, although if the market capitalisation of the company is over HK\$10 billion, the Hong Kong Stock Exchange may accept a percentage of between 15% and 25%. In addition, there must be a minimum of 300 public shareholders and not more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders.

	Listing Rules and Hong Kong laws	Listing Manual and Singapore laws
(C) Share Options Scheme	<p>Chapter 17 of the Listing Rules</p> <p>The share option scheme of a listed company or any of its subsidiaries must be approved by shareholders of the listed company in general meeting. The total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the listed company (or the subsidiary) in issue as at the date of approval of the scheme. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit. The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed company (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed company (or the subsidiary) if this will result in the limit being exceeded. The period within which the securities must be taken up under the option, which must not be more than 10 years from the date of grant of the option, and the life of the scheme, which must not be more than 10 years.</p> <p>The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where a listed company has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.</p>	<p>Rule 845 of the Listing Manual</p> <p>A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated.</p> <p>For SGX Main Board issuers, the following limits must not be exceeded:</p> <ol style="list-style-type: none"> (1) The aggregate number of shares available under all schemes must not exceed 15% of the total number of issued shares excluding treasury shares from time to time; (2) The aggregate number of shares available to controlling shareholder and their associates must not exceed 25% of the shares available under a scheme; (3) The number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under a scheme; (4) The aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20% of the shares available under a scheme; and (5) The maximum discount under the scheme must not exceed 20%. The discount must have been approved by shareholders in a separate resolution. <p>Participation in a scheme by controlling shareholders and their associates must be approved by independent shareholders of the issuer.</p> <p>A separate resolution must be passed for each person and to approve the actual number and terms of options to be granted to that participant.</p> <p>An issuer must disclose the terms of the scheme or a summary of the principal terms in the circular.</p>

Listing Rules and Hong Kong laws

In addition to the shareholders' approval, each grant of options to a director, chief executive or substantial shareholder of a listed company, or any of their respective associates, under a scheme of the listed company or any of its subsidiaries must comply with the requirements of Rule 17.04(1) of the Listing Rules. Each grant of options to any of these persons must be approved by independent non-executive directors of the listed company (excluding independent non-executive director who is the grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive director of the listed company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant, (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) (where the securities are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by shareholders of the listed company.

The listed company must send a circular to the shareholders. All connected persons of the listed company must abstain from voting in favour at such general meeting.

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Shareholders who are eligible to participate in the scheme must abstain from voting on any resolution relating to the scheme (other than a resolution relating to the participation of, or grant of options to, directors and employees of the issuer's parent company and its subsidiaries).

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4. OTHER OBLIGATIONS

(A) Continuing obligations	Chapter 13 of the Listing Rules sets out the continuing obligations of a listed company to disclose information.	Chapter 7 of the Listing Manual sets out the continuing obligations of a listed company to disclose information.
(B) Board composition and other committees	<p>Rules 3.10 and 8.12 of the Listing Rules</p> <p>Every board of directors of a listed company must include at least three independent non-executive directors. A new applicant applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong, which normally means to have at least two of its executive directors be ordinarily resident of Hong Kong.</p> <p>Rules 3.21, 3.22 and paragraph C.3 of Appendix 14 of the Listing Rules</p> <p>Every listed company must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The board of directors of the listed company must approve and provide written terms of reference for the audit committee.</p> <p>Rule 3.25 & paragraph B.1 of Appendix 14 of the Listing Rules</p> <p>It is a recommended best practice that listed companies should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.</p> <p>Rule 3.25 & paragraph A.4 of Appendix 14 of the Listing Rules</p> <p>It is a recommended best practice that a listed company should establish a nomination committee. A majority of the members should be independent non-executive directors.</p>	<p>Rule 720 (read with Rule 221) of the Listing Manual</p> <p>Foreign issuers are required to have at least two independent directors who are Singapore residents on the Board of Directors on a continuing basis, and not just on listing.</p> <p>Rule 11 of the Code of Corporate Governance (“COCG”)</p> <p>The Board or Directors should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.</p> <p>The AC should comprise at least three directors, all non-executive, the majority of whom including the chairman should be independent.</p> <p>The Board of Directors should ensure that at least 2 members of the AC should have accounting or related financial management expertise or experience.</p> <p>Rule 7.1 of the COCG</p> <p>The Board of Directors should set up a Remuneration Committee (“RC”) comprising a majority of non-executive directors who are independent of management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgement.</p> <p>Rule 4.1 of the COCG</p> <p>Companies should establish a Nominating Committee (“NC”) to make recommendations to the Board on all Board appointments.</p> <p>The NC should comprise at least 3 directors, a majority of whom, including the Chairman should be independent.</p>

Listing Rules and Hong Kong laws

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5. SHAREHOLDERS' REPORTING OBLIGATIONS

Disclosure of interest

The Listing Rules require that the interests held by directors and chief executives and substantial shareholders (i.e. shareholders interested in 10% or more of the voting power) be disclosed in annual reports, interim reports and circulars of the listed company. The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") provides that a substantial shareholder (i.e. shareholder interested in 5% or more of the shares in the listed company) is required to disclose his interest, and short positions, in the shares of the listed company, within ten business days after first becoming a substantial shareholder, or to disclose his changes in percentage figures of his shareholdings in the listed company or ceasing to be a substantial shareholder within three business days after becoming aware of the relevant events. When there is an increase or decrease in the percentage level of the holding of a substantial shareholder in the listed company that results in his crossing over a whole percentage number which is above 5%. For example, the interest of a substantial shareholder increases from 6.8% to 7.1% which crosses over 7%, then he is required to submit the notifications; but if his interest increases from 6.1% to 6.9%, he is not required to make notification. To work out the "percentage level" of the interest, a substantial shareholder simply rounds down the percentage figure of his interest to the next whole number. A director or a chief executive of a listed company is required to disclose his interest and short position in any shares in a listed company (or any of its associated companies) and their interest in any debentures of the listed company (or any of its associated companies) within ten business days after becoming a director or chief executives of the listed company or within three business days after becoming aware of the relevant events.

If a person, who is both a substantial shareholder and a director of the listed company concerned under the SFO, such person may have separate duties to file notices (one in each capacity) as a result of a single event. For example, a person who is interested in 5.9% of the shares of a listed company and buys a further 0.2% will have to file a notice because he is a director (and therefore has to disclose all transactions) and will also have to file a notice as a substantial shareholder because his interest has crossed the 6% level.

Under the Singapore Companies Act (Cap 50) ("Singapore Companies Act"), a substantial shareholder (i.e. shareholder having not less than 5 per cent of the total votes attached to all the voting shares in the company) of a company shall within 2 business days after becoming a substantial shareholder, or when there is a change in the percentage level (as defined in the Singapore Companies Act) of the substantial shareholder's interest, or when he ceases to be a substantial shareholder, give notice in writing to the company.

Under the Securities and Futures Act (Cap 289) ("Singapore SFA"), a substantial shareholder shall within 2 business days after becoming a substantial shareholder, or when there is a change in the percentage level of the substantial shareholder's interest, or when he ceases to be a substantial shareholder give notice in writing to the SGX-ST.

Sections 83 and 84 of the Singapore Companies Act

A substantial shareholder is required to notify the company of changes in the "percentage level" of his shareholding or his ceasing to be a substantial shareholder, again within two business days after he is aware of such changes. The reference to changes in "percentage level" means any changes in a substantial shareholder's interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Section 137(1) of the SFA

A substantial shareholder is also required to give the above notifications to the SGX-ST at the same time.

B. TAKEOVER OBLIGATIONS**1. The Singapore Code**

The Singapore Code regulates the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the Company's voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the Company's voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of the Company's voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

- “Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:
 - a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
 - a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
 - a company and its pension funds and employee share schemes;
 - a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
 - a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
 - directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;

- partners; and
- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally.

A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

2. Takeovers Code

Public companies with a primary listing of their equity securities in Hong Kong fall within the regulatory framework of the Takeovers Code. The Takeovers Code is not legally enforceable. Its purpose is to provide guidelines for companies and their advisers contemplating, or becoming involved in, takeovers and mergers affecting public companies in Hong Kong.

The aim of the Takeovers Code is to ensure fair treatment of shareholders affected by merger or takeover transactions. It requires the timely disclosure of adequate information to enable shareholders to make an informed decision as to the merits of any offer.

The Takeovers Code regulates acquisitions of Shares (whether by way of takeovers, mergers and share repurchases) in an offeree company which changes its control, currently defined as a holding, or aggregate holdings, of 30% or more of the voting rights of a company, regardless of whether that holding or holdings gives de facto control.

The Takeovers Code also applies not only to the offeror and the offeree company, but also to those persons “acting in concert” with the offeror. Under the Takeovers Code, “persons acting in concert” are persons who “pursuant to an agreement or understanding, actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company”. The Takeovers Code also describes classes of persons who are presumed to be acting in concert with others in the same class.

The Takeovers Code requires the making of a mandatory general offer to all shareholders of the offeree company, unless a waiver has been granted by the SFC, where a person or a group of persons acting in concert (1) acquires control of a company (meaning 30% or more of the voting rights), whether by a series of transactions over a period of time, or not, or (2) when already holding between 30% and 50% of the voting rights of a company, acquires more than 2% of the voting rights in the target company in a 12 -month period from the date of the relevant acquisition.

In either of the above cases, an offer must be made to the shareholders for the balance of the Shares of the public company. The offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the purchaser (or persons acting in concert with it) for Shares of that class during the offer period and within 6 months prior to its commencement.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**A1. Incorporation of the Company**

The Company was incorporated in Singapore under the Singapore Companies Act (Cap. 50) as a private company limited by shares on 29 June 1989. The Company changed its name from “Neocorp International Ltd.” to “Novo Group Ltd.” with effect from 10 March 2008. The Company has established a place of business in Hong Kong which is situated at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong.

As the Company was incorporated in Singapore, it operates subject to the relevant laws and regulations of Singapore and its constitution which comprises the Memorandum and the Articles. A summary of the Company’s constitution and of the relevant laws and regulations of the Singapore is set out in Appendix III and Appendix IV to this document respectively.

A2. Changes in share capital of the Company within the past two years

During the two years preceding the date of this document, there have been changes in the share capital of the Company, details of which are set out below:

- (a) The Company has repurchased such number of ordinary shares with voting rights as set out below, and all such shares were changed to treasury shares without voting rights:

Date of repurchase	No. of shares repurchased
19 December 2008	4,662,000
24 December 2008	1,498,000
26 December 2008	1,600,000
31 December 2008	800,000
2 January 2009	1,250,000
5 January 2009	1,228,000
6 January 2009	1,380,000
7 January 2009	1,120,000
8 January 2009	1,500,000
9 January 2009	900,000
12 January 2009	1,100,000
16 January 2009	1,459,000
19 January 2009	350,000
9 March 2009	675,000
13 March 2009	658,000

Date of repurchase	No. of shares repurchased
20 March 2009	1,100,000
23 March 2009	1,100,000
27 March 2009	800,000
8 April 2009	100,000
19 May 2009	470,000
25 June 2009	1,200,000
29 June 2009	1,150,000
30 June 2009	335,000
1 July 2009	250,000
8 July 2009	600,000
24 August 2009	1,200,000
3 November 2009	3,500,000
4 November 2009	1,500,000
13 November 2009	2,384,000
8 December 2009	290,000
	<hr/>
Total	36,159,000
	<hr/> <hr/>

- (b) The Company sold all of the treasury shares mentioned in sub-paragraph (a) above as follows:

Date of sale	No. of treasury shares sold
14 January 2010	8,159,000
31 March 2010	18,000,000
12 April 2010	10,000,000
	<hr/>
Total	36,159,000
	<hr/> <hr/>

- (c) The Company issued 51,841,000 new ordinary shares at the price of S\$0.23 per share by way of placement on 21 January 2010. The Company has received gross proceeds of approximately S\$11.9 million from such placement which have been fully utilised as the Company's working capital purpose.
- (d) The Company carried out the Share Consolidation which became effective on 15 November 2010, pursuant to which every four Pre-consolidated Shares were consolidated into one Existing Share. Immediately following the Share Consolidation, the Company has 170,804,269 Existing Shares in issue.

Save as disclosed in this paragraph of this Appendix, there has been no alteration in the share capital of the Company in the two years preceding the date of this document.

As at the Latest Practicable Date, the Company has no founder shares, management shares or deferred shares.

**A3. Resolutions passed at the annual general meeting held on 27 August 2010
and the extraordinary general meeting held on 29 October 2010**

At the annual general meeting of the Company held on 27 August 2010, resolutions of Shareholders were passed pursuant to which, amongst other things:

A. Issuance mandate

- (a) (i) authority was given to the Directors to allot and issue 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 during the continuance of such authority or thereafter, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Board may, in their absolute discretion, deem fit; and
- (b) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in such resolution);

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such resolution (including Shares to be issued in pursuance of instruments made or granted pursuant to such resolution) does not exceed 50% of the issued Shares in the capital of the Company (excluding treasury shares) (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 (including Shares to be issued in pursuance of Instruments made or granted pursuant to such resolution) does not exceed 20% of the issued Shares (excluding treasury shares) 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 percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of such resolution, after adjusting for:

- (aa) 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 such resolution is passed; and
- (bb) any subsequent consolidation or subdivision of Shares;
- (3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro rata renounceable rights issues;
- (4) in exercising the authority conferred by such 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 Articles for the time being of the Company;
- (5) unless revoked or varied by the Company in general meeting, such authority conferred by such resolution 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 the earlier.

B. Buy-back mandate

- (a) for the purposes of Sections 76C and 76E of the Singapore Companies Act, exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company not exceeding the Prescribed Limit, at such price(s) as may be determined by the Directors from time to time up to the Maximum Price, whether by way of: (i) market purchases on the SGX-ST (“Market Purchase”); and/or (ii) off-market purchases effected otherwise than on the SGX-ST (“Off-Market Purchase”) in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Singapore Companies Act, and otherwise in accordance with all other provisions of the Singapore Companies Act and the Listing Manual of the SGX-ST as may for the time being be (“Share Buy Back Mandate”);
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Singapore Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of (i) the date on which the

next annual general meeting of the Company is held or is required by law to be held; (ii) the date on which the share buy backs are carried out to the full extent mandated; or (iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked.

For purposes of the above resolution:

“Prescribed Limit” means 10% of the issued ordinary share capital of the Company as at the date of passing of such resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Singapore Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

“Relevant Period” means the period commencing from the date on which the last annual general meeting of the Company was held and expiring on the date the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date of such resolution;

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, or, as the case may be, the date of the making of offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

At the extraordinary general meeting of the Company held on 29 October 2010, resolutions of Shareholders were passed pursuant to which, amongst other matters:

- (a) conditional on the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Hong Kong Stock Exchange and subject to and contingent upon the passing of resolutions (b), (c), (d) and (e) below, approval be and is hereby given for the dual primary listing of all the Shares in issue on the Hong Kong Stock Exchange by way of introduction and all matters relating thereto;
- (b) subject to and contingent upon the passing of resolution (a) above and resolutions (c), (d) and (e) below approval be and is hereby given for the termination of the Novo ESOS and the Novo PSP which shall take effect from the Listing Date;
- (c) subject to and contingent upon the passing of resolutions (a) and (b) above and resolutions (d) and (e) below, the consolidation of every four Pre-consolidated Shares in the capital of the Company into one Existing Share be and is hereby approved;
- (d) subject to and contingent upon the passing of resolutions (a), (b) and (c) above and resolution (e) below, the Articles are amended with effect from the Listing Date; and
- (e) subject to and contingent upon the passing of resolutions (a), (b), (c) and (d) above, the Chinese name “新源控股有限公司” be and is hereby adopted as the Company’s secondary name.

A4. Changes in share capital or registered capital of our subsidiaries

The subsidiaries of the Company are listed in the Accountants’ Report set out in Appendix I to this document.

Set out below are the particulars of the alterations to the share capital of the subsidiaries of the Company during the two years prior to the date of this document:

- (a) on 21 January 2009, Novo (TJ) was established in the PRC as a wholly foreign owned enterprise with a registered capital of US\$8,570,000, which was wholly owned by Novo Development Limited (incorporated in Hong Kong). As at the Latest Practicable Date, the paid up registered capital of Novo (TJ) amounted to US\$3,785,961.3;
- (b) on 21 April 2009, Iron Shipping Limited allotted and issued 10 shares of par value of US\$1.00 each to the Company for cash at par;
- (c) on 12 August 2009, Novo Resources Limited (*incorporated in BVI*) allotted and issued 10 shares of par value of US\$1.00 each to Novo Overseas for cash at par;

- (d) on 23 June 2009, Novo Steel Limited allotted and issued 10 shares of par value of US\$1.00 each to Novo Overseas for cash at par;
- (e) on 3 July 2009, Novo Steel (HK):
 - (i) allotted and issued 510,000 shares of par value of HK\$1.00 each to Novo Steel Limited at an aggregate consideration of HK\$510,000; and
 - (ii) allotted and issued 490,000 shares of par value of HK\$1.00 each to Thomson Steel Company Limited at an aggregate consideration of HK\$490,000;
- (f) on 8 September 2009, Novo SL allotted and issued 10 shares of par value of US\$1.00 each to Novo Overseas for cash at par;
- (g) on 16 September 2009, Novo Resources Limited (*incorporated in Hong Kong*) allotted and issued 1,000,000 shares of par value of HK\$1.00 each to the Company for cash at par;
- (h) on 18 September 2009, EBP allotted and issued one share to Goh Soon Lai (being subscriber) at a consideration of S\$1;
- (i) on 15 October 2009:
 - (i) EBP allotted and issued 700,000 shares to Novo SL at an aggregate consideration of S\$700,000; and
 - (ii) EBP allotted and issued 299,999 shares to Oscar Maritime International Limited at an aggregate consideration of S\$299,999;
- (j) on 29 December 2009, Novo Investment Limited (*incorporated in BVI*) allotted and issued 10 shares of par value of US\$1.00 each to Novo Overseas for cash at par; and
- (k) on 22 February 2010, 上海華強貿易有限公司 (unofficial translation as Hua Qiang (Shanghai) Trading Limited) was established as a wholly-owned subsidiary of Qianghua (Shanghai) with a registered capital of RMB5,000,000. As at 3 February 2010, the Group's contribution to the registered capital of Hua Qiang (Shanghai) Trading Limited has been paid up.

Save as disclosed above, there is no other alteration in the share capital of the subsidiaries of the Company which took place within the two years immediately preceding the date of this document.

A5. Repurchase by the Company of its own securities

This paragraph includes information required by the Hong Kong Stock Exchange to be included in this document concerning the repurchase by the Company of its own securities. The Listing Rules permit a company listed on the Hong Kong Stock Exchange to repurchase its securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Main Board must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolutions passed by Shareholders at the annual general meeting of the Company held on 27 August 2010, the repurchase mandate was given to the Directors authorising any repurchase of Shares by the Company as described above in the paragraph headed "Resolutions passed at the annual general meeting held on 27 August 2010 and the extraordinary general meeting held on 29 October 2010" in this Appendix.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles, and the applicable laws and regulations of Singapore. A listed company on SGX-ST may not repurchase its own securities on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the Listing Manual and trading rules of the SGX-ST which are in effect from time to time.

(c) *Shares to be repurchased*

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(d) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(e) *Exercise of the Share Buy Back Mandate*

On the basis of 170,804,269 Shares in issue as at 27 August 2010, being the date on which the Share Buy Back Mandate was granted to the Directors, exercise in full of the Share Buy Back Mandate could accordingly result in up to 17,080,426 Shares being repurchased by the Company during the period prior to (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within the next annual general meeting of the Company is required by the Articles or the applicable laws of Singapore to be held; or (3) the revocation or variation of the repurchase mandate by ordinary resolution of Shareholders in general meeting, whichever is the earliest.

No purchase of Shares was made by the Company within six months preceding the Latest Practicable Date (whether on the SGX-ST or otherwise).

(f) Funding of repurchases

The Company may, in accordance with the provisions of the Singapore Companies Act, purchase or otherwise acquire the Shares if it is expressly permitted to do so by the Articles of Association. In purchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws in Singapore. The Company may not purchase its shares for a consideration other than cash and where relevant, settlement shall be in accordance with the trading rules of the SGX-ST. Previously, any payment made by the Company in consideration of the purchase or acquisition of its own Shares may only be made out of distributable profits. The Singapore Companies Act now permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits. Furthermore, the Company may obtain or incur borrowings to finance its purchase or acquisition of Shares. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the liquidity (for example, share trading volume) of the Group.

(g) Directors' undertaking

The Directors have undertaken to the Hong Kong Stock Exchange that, they will exercise the power of the Company to make purchase of the Company's securities in accordance with the Listing Rules, the Listing Manual, the applicable laws of Singapore and the Articles.

(h) Disclosure of interests

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or any of the subsidiaries of the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the repurchase mandate is exercised.

(i) Takeovers Code consequences

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule

26 of the Takeovers Code and Rule 14 of the Singapore Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

A6. Registration under Part XI of the Companies Ordinance

The Company has established its head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong. The Company has been registered as an overseas company under Part XI of the Companies Ordinance. Ms. Wong Tak Yee of Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong has been appointed as the agent of the Company for the acceptance of service of process in Hong Kong.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

B1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) a deed of assignment dated 6 April 2009 made between the Company and Novo Overseas in relation to the transfer of the beneficial interest in 100 shares in Novosteel DMCC at a consideration of S\$3;
- (b) a joint venture agreement dated 1 June 2009 made between POSCO Steel Service & Sales Company Limited ("POSCO"), HG Metal Manufacturing Limited ("HG") and Novo CPL BVI in relation to the proposed formation of a joint venture company named POS-SEA Pte Ltd in Singapore with a capital of US\$2,000,000 divided into 2,000,000 ordinary shares whereby (i) POSCO should subscribe for 1,020,000 ordinary shares at an aggregate price of US\$1,020,000; (ii) HG should subscribe for 490,000 ordinary shares at an aggregate price of US\$490,000; and (iii) Novo CPL BVI should subscribe for 490,000 ordinary shares at an aggregate price of US\$490,000;
- (c) a joint venture agreement dated 22 June 2009 made between Novo BVI and Thomson Steel Company Limited in relation to the proposed formation of a joint venture company named Novo Steel (HK) in Hong Kong with a capital of HK\$1,000,000 divided into 1,000,000 ordinary shares of HK\$1 each whereby (i) Novo BVI (or its nominee) should subscribe for 510,000 ordinary shares at an aggregate price of HK\$510,000, plus sharing of working capital of HK\$2,550,000 and (ii) Thomson Steel Company Limited should subscribe for 490,000 ordinary shares at an aggregate price of HK\$490,000, plus sharing of working capital of HK\$2,450,000;

- (d) a joint venture agreement dated 14 September 2009 made between Novo SL and Oscar Maritime International Limited in relation to the proposed formation of a joint venture company named EBP in Singapore with a capital of S\$1,000,000 divided into 1,000,000 ordinary shares whereby (i) Novo SL should subscribe for 700,000 ordinary shares at an aggregate price of S\$700,000 and (ii) Oscar Maritime International Limited should subscribe for 300,000 ordinary shares at an aggregate price of S\$300,000;
- (e) a placement agreement dated 13 January 2010 made between the Company and CIMB-GK Securities Pte. Ltd. in relation to the issue of up to 51,841,000 new shares of the Company and the disposal of 36,159,000 treasury shares of the Company at a price of S\$0.23 per share (or treasury share), pursuant to which CIMB-GK Securities Pte. Ltd. was entitled to a placing commission of 3% of the gross placing price;
- (f) bought and sold notes, and related instrument of transfer, in relation to the transfer of 5,500 shares of HK\$1 each in the share capital of Iron and Steel Resources Limited, all dated 30 April 2010 made between Global Wealth TL (as transferor) and Lin Xiutong (as transferee) at a consideration of HK\$5,500;
- (g) a memorandum of understanding dated 6 May 2010 entered into between Mr. Lin, Global Wealth TL, Select Best Limited and Wealthy Dragon Investments Limited whereby the Group was offered the right of first refusal to acquire up to 60% equity interest in Select Best Limited at a consideration of US\$6;
- (h) an agreement dated 29 January 2010 entered into between Novo HK and Treasure Holdings Limited for sale and purchase of Units 10, 11 on 11th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 9 February 2010 at a consideration of HK\$33,338,000;
- (i) the share transfer form dated 2 August 2010 relating the transfer of 1,000 shares of Novo Commodities Private Limited from Rajpreet Singh Kalha to Ma Yiu Ming (as trustee of Novo HK) at a consideration of INR12,000;
- (j) the share transfer form dated 2 August 2010 relating the transfer of 1,400 shares of Novo Commodities Private Limited from Rajpreet Singh Kalha to Novo HK at a consideration of INR16,800; and
- (k) the share transfer form dated 2 August 2010 relating the transfer of 46,600 shares of Novo Commodities Private Limited from Sanjay Sharma to Novo HK at a consideration of INR559,200.

B2. Intellectual property rights

As at the Latest Practicable Date, the Group did not own any trademark, patent, or licence or has any applications relating thereto or any other intellectual property rights and here were no trade or service marks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

C1. Disclosure of interests

(a) Interests of Directors

Immediately following completion of the Introduction, the interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions) once the Shares are listed on the Hong Kong Stock Exchange, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed on the Hong Kong Stock Exchange, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange once the Shares are listed on the Hong Kong Stock Exchange, will be as follows:

Long position

Name of Director	Name of corporation	Capacity/nature of interests	Number of shares directly or indirectly held	Approximate percentage of issued shares as at the Latest Practicable Date (Note 1)
Mr. Yu	The Company	Interest of controlled corporation <i>(Notes 2 and 3)</i>	117,143,750 Existing Shares	68.58%
Mr. Yu	The Company	Beneficial owner	8,271,531 Existing Shares	4.84%
Mr. Yu	New Page	Beneficial owner	7 shares	70.00%
Mr. Chow	The Company	Beneficial owner	2,468,156 Existing Shares	1.45%
Mr. Chow	New Page	Beneficial owner	3 shares	30.00%
Mr. Foo Teck Leong	The Company	Beneficial owner	17,500 Existing Shares	0.01%

Notes:

1. As at the Latest Practicable Date, the Company had 170,804,269 Shares in issue.
2. These Shares are owned by New Page, which is owned as to 70% by Mr. Yu and as to 30% by Mr. Chow. By virtue of Part XV to the SFO, Mr. Yu is deemed to be interested in all the Shares owned by New Page.
3. To facilitate the role of the Bridging Dealer commencing from the pre-opening period on the first day of the Listing, the Bridging Dealer has established a mechanism in place to build up an ownership of a small inventory of Shares prior to the commencement of trading. Accordingly, there is a Stock Sale and Purchase Agreement entered into between New Page and the Bridging Dealer for the sale of an aggregate of 1,708,050 Existing Shares. Pursuant to such Stock Sale and Purchase Agreement, the Bridging Dealer shall sell and New Page shall repurchase the equivalent number of Shares it sold under the Stock Sale and Purchase Agreement, at the same price as such Shares were sold, not later than 13 business days after the Bridging Period End Date. In addition, there is a Stock Borrowing Agreement between New Page and the Bridging Dealer, pursuant to which New Page shall upon request by the Bridging Dealer lend up to the number of Shares it holds at the time of such request to the Bridging Dealer, on one or more occasions, and an equivalent number of Shares shall be returned to New Page no later than 13 business days after the Bridging Period End Date provided that any borrowing or redelivery of Shares shall not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and the Singapore Code. Further details of the Stock Sale and Purchase Agreement and the Stock Borrowing Agreement are set out in the paragraph headed “6. Bridging arrangements” in the section headed “Listings, registration, dealings and settlement” in this document.

(b) *Interests of Shareholders*

So far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) will, immediately following completion of the Introduction, have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of the Shares carrying the right to vote in all circumstances at the general meetings of the Company:

Long position

Name of Shareholder	Capacity	Number and class of securities	Approximate percentage of shareholdings as at the Latest Practicable Date <i>(Note 1)</i>
New Page <i>(Note 2)</i>	Beneficial owner	117,143,750 Shares <i>(Note 3)</i>	68.58%

Notes:

1. As at the Latest Practicable Date, the Company had 170,804,269 Shares in issue.
2. These Shares are owned by New Page, which is owned as to 70% by Mr. Yu and as to 30% by Mr. Chow. By virtue of Part XV to the SFO, Mr. Yu is deemed to be interested in all the Shares owned by New Page.
3. To facilitate the role of the Bridging Dealer commencing from the pre-opening period on the first day of the Listing, the Bridging Dealer has established a mechanism in place to build up an ownership of a small inventory of Shares prior to the commencement of trading. Accordingly, there is a Stock Sale and Purchase Agreement entered into between New Page and the Bridging Dealer for the sale of an aggregate of 1,708,050 Existing Shares. Pursuant to such Stock Sale and Purchase Agreement, the Bridging Dealer shall sell and New Page shall repurchase the equivalent number of Shares it sold under the Stock Sale and Purchase Agreement, at the same price as such Shares were sold, not later than 13 business days after the Bridging Period End Date. In addition, there is a Stock Borrowing Agreement between New Page and the Bridging Dealer, pursuant to which New Page shall upon request by the Bridging Dealer lend up to the number of Shares it holds at the time of such request to the Bridging Dealer, on one or more occasions, and an equivalent number of Shares shall be returned to New Page no later than 13 business days after the Bridging Period End Date provided that any borrowing or redelivery of Shares shall not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and the Singapore Code. Further details of the Stock Sale and Purchase Agreement and the Stock Borrowing Agreement are set out in the paragraph headed "6. Bridging arrangements" in the section headed "Listings, registration, dealings and settlement" in this document.

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following entities were interested in 10% or more of the nominal value of the shares carrying the right to vote in all circumstances at the general meetings of the subsidiaries of the Company:

Name	Name of shareholder	Approximate percentage
Novo Steel (HK)	Thomson Steel Company Limited	49%
EBP	Oscar Maritime International Limited	30%
Qianghua (Shanghai)	Shanghai CRQ	20%
Novo Commodities Private Limited	Sanjay Sharma	46.6%

Save as disclosed above, the Directors confirm that they are not aware of any persons who will immediately following completion of the Introduction be interested or deemed to be interested under Part XV of the SFO in 10% or more of the Shares then in issue, or who have interests of short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

C2. Particulars of Directors' service agreements

(a) *Executive Directors*

Each of the executive Directors has entered into a service agreement with the Company. Each of the service agreements of Mr. Yu and Mr. Chow has a term of three years commencing from 1 May 2008 and that of Mr. Chow Kin San has a term of three years commencing from 1 June 2010, unless terminated by either party with not less than six months' notice in writing to each other and thereafter for such period as the Board may so decide.

Pursuant to the terms of their respective service agreements, the annual salary (inclusive of fixed annual bonus comprising four months' salaries) of Mr. Yu, Mr. Chow and Mr. Chow Kin San are US\$320,000, US\$256,000 and US\$246,400 respectively.

Each of the executive Directors is also entitled to a performance bonus ("Performance Bonus") based on the Group's audited consolidated profits before taxation ("PBT") as follows:

Director	PBT	Performance bonus
Mr. Yu	Where PBT is equal to or more than US\$8.8 million but less than US\$11.0 million	8.4% of PBT in excess of US\$8.8 million
	Where PBT is equal to or more than US\$11.0 million	10.5% of PBT in excess of US\$11.0 million plus an amount of US\$184,800
Mr. Chow	Where PBT is equal to or more than US\$8.8 million but less than US\$11.0 million	3.6% of PBT in excess of US\$8.8 million
	Where PBT is equal to or more than US\$11.0 million	4.5% of PBT in excess of US\$11.0 million plus an amount of US\$79,200
Mr. Chow Kin San	Where PBT is equal to or more than US\$8.8 million	3.0% of PBT in excess of US\$8.8 million

Each of the executive Directors shall also be entitled to the use of a car provided by the Group during their term of service.

(b) Independent non-executive Directors

Each of the independent non-executive Directors is not appointed for a specific term but is subject to retirement and rotation under the Articles. Each of Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence is entitled to an annual director's fee as follows.

Mr. Tang Chi Loong	S\$43,000
Mr. Foo Teck Leong	S\$45,000
Mr. Tse To Chung, Lawrence	HK\$180,000

Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration, for holding their office as an independent non-executive Director.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of the subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

C3. Remuneration of Directors

The Company determines its Directors' remuneration based on factors including, but not limited to duties, qualifications, experience and performance of the Directors. For each of FY2008, FY2009 and FY2010 and 1QFY2011, the aggregate remuneration paid to the Directors amounted to approximately US\$171,025, US\$640,543, US\$1,378,581 and US\$134,947 respectively.

The total estimated Directors' remuneration for the year ending 30 April 2011 is approximately US\$887,000, excluding any Performance Bonus.

None of the Directors or any past directors of any members of the Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any members of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in the Track Record Period.

Save as disclosed above, no remuneration or benefit in kind have been made or are payable, in respect of the in the Track Record Period, by the Group to or on behalf of any Directors.

C4. Personal guarantee

None of the Directors has provided personal guarantee in favour of any lenders in connection with banking facilities granted or to be granted to any member of the Group.

C5. Related party transactions

The Group had entered into related party transactions within the two years immediately preceding the date of this document as mentioned in Note 5 headed "Related party transactions" to the audited financial statements set out in the accountants' report as set out in Appendix I to this document and the section headed "Connected transactions" in this document.

C6. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors nor any of the parties listed in the paragraph headed “Qualifications of experts” of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any other member of the Group;
- (b) none of the Directors nor any of the parties listed in the paragraph headed “Qualifications of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to business of the Group; and
- (c) none of the experts referred to in the paragraph headed “Qualifications of experts” in this Appendix has any shareholding in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

C7. Estate duty, tax and other indemnity

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of Singapore or the PRC, being jurisdictions in which one or more of the companies comprised the Group are incorporated.

C8. Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company, that would have a material adverse effect on the results of operations or financial condition of the Company.

C9. Agency fees or commissions received

The Sponsor will receive a documentation fee. Such documentation fee and expenses, together with the Hong Kong Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Introduction, which are estimated to amount in aggregate to approximately US\$1,400,000, will be payable by the Company.

C10. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned in this document.

C11. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
CIMB Securities (HK) Limited	A licensed corporation under the SFO, authorized to conduct Type 1 regulated activity (dealing in securities), Type 4 regulated activity (advising on securities) and Type 6 regulated activity (advising on corporate finance)
Baker Tilly Hong Kong Limited	Certified Public Accountants
Wee Woon Hong & Associates LLC	Legal advisers to the Company as to Singapore laws
Haiwen & Partners	Legal advisers to the Company as to PRC laws
Conyers Dill & Pearman Pte Ltd.	Legal advisers to the Company as to BVI laws
Associated Law Advisers	Legal advisers to the Company as to India laws
Trench & Associates	Legal advisers to the Company as to UAE laws
DTZ Debenham Tie Leung Limited	Chartered surveyors and valuers

C12. Consents of experts

Each of the Sponsor, Baker Tilly Hong Kong Limited, Wee Woon Hong & Associates LLC, Haiwen & Partners, Conyers Dill & Pearman Pte Ltd., Associated Law Advisers, Trench & Associates and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or opinion (as the case may be) and the references to its name or summaries of opinions included herein in the form and context in which they respectively appear.

None of the experts named in the paragraph headed “Qualifications of experts” in this Appendix has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

C13. Taxation of holders of Shares**A. *Hong Kong***

Dealings in Shares registered on the Hong Kong Branch Share Register will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Introduction can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

B. *Singapore**Dividend Distributions*

A one-tier corporate system took effect from 1 January 2003 under which the tax collected on corporate profits is final and Singapore dividends are tax exempt in the hands of all shareholders. There will be no tax credits attached to such dividends.

The Company falls under the one-tier system. Thus dividends of the Company will be tax exempt to all Shareholders. The dividends will have no tax credit attached.

No withholding tax is imposed on dividend payments made, whether to resident or non-resident Shareholders.

Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. However, gains arising from the disposal of the Shares that are construed to be of an income nature will be subject to tax. Hence, any profits from the disposal of the Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case the gains on disposal of the Shares would be taxable. Similarly, if the gains are regarded by the Inland Revenue Authority of Singapore as having arisen from the carrying on of a trade or business in Singapore, such gains may be taxed as trading income.

Stamp Duty

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof of the consideration for or market value of, the Shares, whichever is higher. The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty will be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

C14. Consultation with professional advisers

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt about the taxation implications of the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares. It is emphasised that none of the Company, the Sponsor, any of their respective directors, agents, employees, advisors or affiliates or any other person involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

C15. Register of members and branch register of members

Subject to the provisions of Singapore Companies Act, the principal register of members of the Company is maintained in Singapore and the branch register of members of the Company will be maintained in Hong Kong. Unless the Directors otherwise agree, all transfers and other documents of title of Shares which are traded on the Hong Kong Stock Exchange must be lodged for registration with and registered by, Hong Kong Branch Registrar and may not be lodged in Singapore.

C16. Miscellaneous

Save as disclosed in this document:

- (i) within the two years preceding the date of this document:
 - (aa) no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries; and

- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of our subsidiaries; and

- (ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

Copies of the following documents will be available for inspection at the office of Leung & Lau at 13th Floor, Public Bank Centre, 120 Des Voeux Road Central, Central, Hong Kong during normal business hours up to and including 10 December 2010:

- (a) the Memorandum and Articles of the Company;
- (b) the accountants' report prepared by Baker Tilly Hong Kong Limited, the text of which is set out in Appendix I to this document;
- (c) the audited financial statements of the relevant members of the Group for the two financial years ended 30 April 2010;
- (d) the audited financial statements of Novo Commodities Private Limited for the two financial years ended 31 March 2010;
- (e) the audited financial statements of Novo (TJ) for the period from 21 January 2009 (date of incorporation) to 31 December 2009;
- (f) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix II to this document;
- (g) the letter of advice prepared by Wee Woon Hong & Associates LLC, the Company's legal advisers as to Singapore law, summarising certain aspects of the laws of Singapore referred to in Appendix IV to this document;
- (h) the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further information about the business of the Group" in Appendix VI to this document;
- (i) the service agreements with each of the Directors referred to in the paragraph headed "Particulars of Directors' service agreements" under the section headed "Further information about Directors and Shareholders" in Appendix VI to this document;
and
- (j) the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Further information about Directors and Shareholders" in Appendix VI to this document.

In addition, prospective investors and/or Shareholders can access copies of the following documents (all of which are very large documents) via the following weblinks:

Singapore Companies Act

<http://statutes.agc.gov.sg/>

Singapore Securities and Futures Act

<http://statutes.agc.gov.sg/>

the Singapore Code

http://www.mas.gov.sg/resource/sic/The_Singapore_Code_on_Take_Overs_and_Mergers_1_April_2007.pdf

the Listing Manual

http://www.sgx.com/wps/portal/corporate/cp-en/listing_on_sgx/listing_manual

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