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Novo Group Ltd.
新源控股有限公司*

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

Hong Kong Stock Code: 1048

Singapore Stock Code: MR8

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 31 OCTOBER 2010**

INTERIM RESULTS

The board (the “Board”) of the directors (the “Directors”) of Novo Group Ltd. (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 October 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 October 2010

		Six months ended	
		31 October	
	<i>Note</i>	2010	2009
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	207,839	217,977
Cost of sales		(198,796)	(184,979)
Gross profit (Note)		9,043	32,998
Other operating income	6	2,457	1,588
Distribution and selling expenses (Note)	7	(5,603)	(25,935)
Administrative expenses		(3,032)	(1,940)
Other operating expenses		598	(11)
Finance costs	8	(464)	(600)
Share of results of associated companies		9	(70)
Profit from operation	9	3,008	6,030
Income tax	10	(203)	(566)
Profit for the period		2,805	5,464

Note: Due to the change of trading terms in the international trading business, freight charges were paid by the suppliers.

* For identification purpose only

		Six months ended	
		31 October	
		2010	2009
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		2,713	5,425
Non-controlling interests		92	39
		<u>2,805</u>	<u>5,464</u>
		<i>US Cents</i>	<i>US Cents</i>
Earnings per share attributable to equity holders of the Company during the period			
– Basic	<i>11</i>	<u>0.4</u>	<u>0.9</u>
– Diluted	<i>11</i>	<u>0.4</u>	<u>0.9</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2010

		Six months ended	
		31 October	
		2010	2009
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period		2,805	5,464
Other comprehensive income:			
Exchange differences on translation of the Group's overseas operations		141	2
Other comprehensive income for the period, net of tax		141	2
Total comprehensive income for the period		<u>2,946</u>	<u>5,466</u>
Total comprehensive income attributable to:			
Equity holders of the Company		2,841	5,427
Non-controlling interests		105	39
		<u>2,946</u>	<u>5,466</u>

Details of the dividend payable and proposed for the period are disclosed in note 12 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 October 2010 <i>US\$'000</i> (Unaudited)	30 April 2010 <i>US\$'000</i> (Audited) (Restated)
Assets			
Non-current assets			
Property, plant and equipment			
– interests in leasehold land held for own use under operating leases		1,148	1,135
– other property, plant and equipment		7,650	6,490
Investments in associated companies		473	464
		9,271	8,089
Current assets			
Inventories		17,286	26,528
Trade and other receivables	<i>13</i>	63,513	24,680
Tax recoverable		12	–
Cash and cash equivalents		30,896	32,012
		111,707	83,220
Total assets		120,978	91,309
Equity and liabilities			
Share capital		32,239	32,239
Reserves		28,260	27,939
		60,499	60,178
Total equity attributable to equity holders of the Company		60,499	60,178
Non-controlling interests		1,187	1,098
		61,686	61,276
Total equity		61,686	61,276
Non-current liabilities			
Deferred income		181	179
		181	179
Current liabilities			
Trade and other payables	<i>14</i>	39,441	14,523
Borrowings	<i>15</i>	18,052	13,905
Deferred income		4	4
Tax payable		1,614	1,422
		59,111	29,854

	<i>Note</i>	31 October 2010 US\$'000 (Unaudited)	30 April 2010 US\$'000 (Audited) (Restated)
Total liabilities		59,292	30,033
Total equity and liabilities		120,978	91,309
Net current assets		52,596	53,366
Total assets less current liabilities		61,867	61,455
Net assets		61,686	61,276

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2010

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 29 June 1989 under the Singapore Companies Acts and its shares have been dual primary listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and The Stock Exchange of Hong Kong Limited (the “SEHK”) on 12 September 1996 and 6 December 2010 respectively. The Company was placed under judicial management since 28 October 2005 under an order of the High Court of Singapore, and was 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 registered office of the Company is located at 20 Harbour Drive #05-01 PSA Vista, Singapore 117612. The headquarter and principal place of business of the Group is at Room 1109-11, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong.

The principal activity of the Company is that of investment holding. The principal activities of the Group are international and domestic trading and distribution of steel products and their raw materials.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”).

The financial statements has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 30 April 2010, except for the adoption of the new or revised International Financial Reporting Standards (“IFRSs”) (which include International Financial Reporting Standards, International Accounting Standards and Interpretations) as disclosed in note 3 to the financial statements.

The financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 April 2010.

The financial statements are presented in United States dollars (“US\$”) which is also the functional currency of the Group, rounded to the nearest thousand US\$ (“US\$’000”), unless otherwise stated.

The financial statements have been prepared under the historical cost basis except that the derivative financial instruments are stated at their fair value.

3. THE ADOPTION OF NEW/REVISED IFRSs

In the current period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 May 2010. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and the amounts reported for the current period and prior periods except as stated below.

Classification of borrowings

Under IAS 1 “Presentation of Financial Statements”, an entity shall classify a liability as current when (i) it expects to settle the liability in its normal operating cycle; (ii) it holds the liability primarily for the purpose of trading; (iii) the liability is due to be settled within twelve months after the reporting period; or (iv) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. An entity shall classify all other liabilities as non-current. In relation to the terms of mortgage loan granted, it would be appropriate to classify the loan as current liabilities. IAS 1 “Presentation of Financial Statements” is required to be applied retrospectively. Comparative information has been restated to reflect this change. The effect of the adoption of this change in accounting policy is restricted to disclosures only, being a reclassification of certain borrowings from non-current liabilities to current liabilities in the consolidated statement of financial position as follows:

	31 October 2010 US\$’000	30 April 2010 US\$’000	1 May 2009 US\$’000
Increase in current liabilities	2,421	2,600	–
Decrease in non-current liabilities	(2,421)	(2,600)	–
	–	–	–

There is no effect on the financial results or credit standing of the Group as a result of this change in accounting policy. The Company understands that there was a mortgage loan in previous periods which would require similar reclassification as current loans as a result of change. These mortgage loans, however, have been repaid prior to 1 May 2009. No other prior year adjustments are required other than above summary of financial position.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE

	Six months ended 31 October	
	2010	2009
	US\$’000	US\$’000
	(Unaudited)	(Unaudited)
Sales of steel products	204,415	217,977
Sales of coal	3,424	–
	207,839	217,977

5. SEGMENT INFORMATION

(i) Business segments

The Group has four reportable segments as follows:

Raw materials

- Distribution and sales of materials such as iron ores, pellets, scraps, and pig irons and coal.

Semi-finished products

- Distribution and sales of steel products such as billets and slabs used for producing deformed steel bars, wire rods, hot rolled plates and hot rolled coils.

Finished products

- Distribution and sales of long products such as deformed bars, wire rods, tube, section, angle channels as well as flat products such as hot rolled plates and coils, cold rolled coil and sheet.

Others

- Distribution and sales of special and coated products such as galvanised steel coils, pre-painted galvanised steel coils and tinsplate.

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.

For the six months ended 31 October 2010

	Raw materials US\$'000 (Unaudited)	Semi- finished products US\$'000 (Unaudited)	Finished products US\$'000 (Unaudited)	Others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Revenue	<u>124,329</u>	<u>21,154</u>	<u>60,094</u>	<u>2,262</u>	<u>207,839</u>
Segment results	3,732	(715)	2,385	99	5,501
Unallocated income					2,457
Unallocated costs					(4,495)
Finance costs					(464)
Share of results of associated companies					<u>9</u>
Profit from operation					3,008
Income tax					<u>(203)</u>
Net profit for the financial period					<u><u>2,805</u></u>
Assets and liabilities					
Unallocated assets					120,505
Investments in associated companies					<u>473</u>
Total assets					<u><u>120,978</u></u>
Unallocated liabilities					<u>59,292</u>
Total liabilities					<u><u>59,292</u></u>
Other segment items					
Capital expenditure					1,270
Depreciation and amortisation					132
Non-cash items other than depreciation and amortisation					<u>(3)</u>

For the six months ended 31 October 2009

	Raw materials <i>US\$'000</i> (Unaudited)	Semi- finished products <i>US\$'000</i> (Unaudited)	Finished products <i>US\$'000</i> (Unaudited)	Others <i>US\$'000</i> (Unaudited)	Total <i>US\$'000</i> (Unaudited)
Revenue	142,642	17,513	57,822	–	217,977
Segment results	7,309	107	1,892	–	9,308
Unallocated income					1,588
Unallocated costs					(4,196)
Finance costs					(600)
Share of results of associated companies					(70)
Profit from operation					6,030
Income tax					(566)
Net profit for the financial period					5,464
Assets and liabilities					
Unallocated assets					65,067
Investments in associated companies					446
Total assets					65,513
Unallocated liabilities					21,913
Total liabilities					21,913
Other segment items					
Capital expenditure					393
Depreciation					49
Non-cash items other than depreciation					(4)

(ii) Geographical information

The turnover by geographical segments is based on the location of the 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:

	Six months ended	
	31 October	
	2010	2009
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
North Asia (<i>Note i</i>)	154,653	161,389
South East Asia (<i>Note ii</i>)	47,540	56,588
India and Middle East (<i>Note iii</i>)	3,383	–
Others (<i>Note iv</i>)	2,263	–
	207,839	217,977

Non-current assets by geographical markets:

	31 October	30 April
	2010	2010
	US\$'000	US\$'000
	(Unaudited)	(Audited)
North Asia (<i>Note i</i>)	8,778	7,601
South East Asia (<i>Note ii</i>)	17	21
India and Middle East (<i>Note iii</i>)	3	3
Others (<i>Note iv</i>)	–	–
	8,798	7,625
Investments in associated companies	473	464
	9,271	8,089

Note:

- (i) Included Hong Kong, Macau, the PRC and Taiwan, etc.
- (ii) Included Philippines, Singapore, Thailand, Indonesia and Vietnam, etc.
- (iii) Included India
- (iv) Included Costa Rica

6. OTHER OPERATING INCOME

	Six months ended	
	31 October	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation of deferred income	2	–
Compensation received from suppliers and a customer	2,224	1,120
Negative goodwill on consolidation	3	–
Government grants and subsidies	10	–
Fair value gain on derivative financial instruments	–	4
Rental income	18	–
Service fees received	–	29
Sundry income	12	417
Transportation income	180	4
	<u>2,449</u>	<u>1,574</u>
Finance income		
– bank interest income	8	14
	<u>8</u>	<u>14</u>
Total	<u><u>2,457</u></u>	<u><u>1,588</u></u>

7. DISTRIBUTION AND SELLING EXPENSES

	Six months ended	
	31 October	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Compensation	–	104
Credit insurance	–	10
Cutting charges	–	4
Distribution agency fees	669	5,086
Freight charges	2,874	18,603
Freight insurance	91	87
I/E Declaration	4	2
Inspection fee	104	73
LC agency fees	108	–
Port handling charges	403	1,355
Shipping handling charges	603	487
Storage insurance	8	–
Transportation charges	409	97
Warehouse charges	330	27
	<u>330</u>	<u>27</u>
	<u><u>5,603</u></u>	<u><u>25,935</u></u>

8. FINANCE COSTS

	Six months ended 31 October	
	2010	2009
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Bank charges	183	341
Interest on bank loans	281	259
	<u>464</u>	<u>600</u>

9. PROFIT FROM OPERATION

Profit from operation is stated after charging/(crediting) the following:

	Six months ended 31 October	
	2010	2009
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Depreciation	120	49
Distribution agency fees	669	5,086
Freight charges	2,874	18,603
Loss on disposal of property, plant and equipment	2	–
Material costs recognised as an expense in cost of sales	198,796	184,979
Net exchange gains	(589)	(49)
Net realised (gain)/loss on disposal of derivative financial instruments	(9)	60
Operating lease expenses	12	–
Rental expenses	54	41
Staff costs (including directors' emoluments)	1,845	1,039
	<u>1,845</u>	<u>1,039</u>

10. INCOME TAX

	Six months ended 31 October	
	2010	2009
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	36	551
Current tax – Overseas Tax		
Provision for the period	167	10
Over-provision in respect of prior periods	–	5
	<u>167</u>	<u>15</u>
	<u>203</u>	<u>566</u>

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated based on the Group's profit for the 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 from the beginning of year 2008 and the subsequent changes in ordinary shares in issue in the periods.

	Six months ended	
	31 October	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company	2,713	5,425
	683,220	604,831
	Number of ordinary shares	
	31 October	
	2010	31 October
	'000	2009
	'000	'000
Weighted average number of ordinary shares	683,220	604,831

12. DIVIDENDS

Dividends attributable to the interim period

	Six months ended	
	31 October	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Interim tax exempt dividend declared and paid for the six months ended 31 October 2010 and 2009	–	–
Final tax exempt dividend in respect of the previous financial years, approved and paid during the period, of S\$0.50 (2009: S\$0.50) cents per share	2,520	2,091
	2,520	2,091

The Directors have declared an interim dividend of 1.0 Singapore cents per ordinary share for the six months ended 31 October 2010 payable to shareholders whose names appear on the register of members of the Company at the close of business, which will be announced at a later date. Dividend warrants are expected to be despatched to shareholders in due course.

The interim dividend proposed after the corresponding reporting date has not been recognised as a liability at the corresponding reporting date, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2011.

13. TRADE AND OTHER RECEIVABLES

	31 October 2010 US\$'000 (Unaudited)	30 April 2010 US\$'000 (Audited)
Advance payment to suppliers	3,382	3,877
Trade and bills receivables	50,324	10,006
	53,706	13,883
Deposits	34	32
Temporary payment	127	289
Prepayments	1,562	810
Other receivables	4,005	3,934
Non-trade balances due from		
– associated companies	1,850	2,019
– minority shareholder	–	1,156
Trade balances due from		
– related companies	2,229	2,557
	9,807	10,797
	63,513	24,680

The receivables from associated companies and a minority shareholder are unsecured, interest free and repayable on demand.

The ageing analysis of trade and bills receivables was as follows:

	31 October 2010 US\$'000 (Unaudited)	30 April 2010 US\$'000 (Audited)
Current	47,666	8,114
Less than 1 month past due	2,455	1,461
1 to 3 months past due	203	289
3 to 12 months past due	–	142
Over 12 months past due	–	–
Amount past due	2,658	1,892
	50,324	10,006

The Group conducts settlement by letter of credit and in advance for most international trading and the PRC domestic trading and distribution. Other than that the Group has a policy of allowing customers for domestic trading and distribution in Hong Kong with credit terms of normally 30 days after the date of delivery.

As at the reporting date, the Group had no significant balances of trade and bills receivables that were past due but not impaired. The Directors of the Company are of the opinion that no allowance for impairment of trade and bills receivables is necessary as there was no recent history of significant default in respect of these trade and bills receivables. Trade and bills receivables that were neither past due nor impaired related to a wide range of independent customers that have a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

At 31 October 2010, trade and bills receivables amounted to US\$45,286,269 (unaudited) (30 April 2010 (audited): US\$2,424,684) were pledged as securities for banking facilities granted to the Group.

14. TRADE AND OTHER PAYABLES

	31 October 2010 US\$'000 (Unaudited)	30 April 2010 US\$'000 (Audited)
Trade and bills payables	<u>36,211</u>	<u>11,919</u>
Sales deposits received	181	436
Accrued operating expenses	639	674
Other payables	86	123
Non-trade balances due to		
– directors	–	738
– minority shareholder	402	402
Trade balances due to		
– minority shareholder	314	201
– related companies	<u>1,608</u>	<u>30</u>
	<u>3,230</u>	<u>2,604</u>
	<u>39,441</u>	<u>14,523</u>

The amounts payable to directors and a minority shareholder are unsecured, interest free and repayable on demand.

The ageing analysis of trade and bills payables, based on invoice date was as follows:

	31 October 2010 US\$'000 (Unaudited)	30 April 2010 US\$'000 (Audited)
Due within 3 months or on demand	36,123	11,710
Due after 3 months but within 6 months	–	163
Due after 6 months but within 1 year	42	–
Due over 1 year	<u>46</u>	<u>46</u>
	<u>36,211</u>	<u>11,919</u>

15. BORROWINGS

	31 October 2010 US\$'000 (Unaudited)	30 April 2010 US\$'000 (Audited) (Restated)
<i>Secured</i>		
Bank loans	9,480	983
Inventory loans	2,668	4,700
Mortgage loan	2,783	2,962
Trust receipt loans	3,121	5,260
	18,052	13,905

The mortgage loan has been reclassified as current liabilities from non-current liabilities as described in note 3 to the interim announcements.

The borrowings are secured by:

- (i) legal pledges of the Group's leasehold land and buildings;
- (ii) legal pledges of the Group's fixed deposits and certain cash and bank;
- (iii) pledges of assets (cargo and related proceeds) underlying the financial transaction;
- (iv) corporate cross guarantees between subsidiaries when appropriate; and
- (v) corporate guarantees of the Company.

Mortgage loan at 30 April 2010 (audited) was repayable in 96 equal monthly installments of US\$32,417 each commencing 29 April 2010. Mortgage loan at 31 October 2010 (unaudited) was repayable in 90 equal monthly installments of US\$32,587 each commencing 29 October 2010. Bank loan at 30 April 2010 (audited) was repayable within 167 days from the date of drawdown. Bank loans at 31 October 2010 (unaudited) were repayable within 90 days and 177 days from the date of drawdown. Inventory loans of 30 April 2010 (audited) and 31 October 2010 (unaudited) were repayable within 90 days and 150 days from the commencement date respectively. Trust receipt loans of 30 April 2010 (audited) and of 31 October 2010 (unaudited) were repayable within 90 days and 120 days from the grant date respectively.

	31 October 2010 %	30 April 2010 %
	(Unaudited)	(Audited)
The weighted average interest rates at the balance sheet dates were as follows:		
Bank loans	3.50	4.62
Inventory loans	2.91	2.82
Mortgage loan	1.11	0.98
Trust receipt loans	2.55	2.31

16. COMPARATIVE INFORMATION

Certain comparative information was restated to conform with the current period's presentation as a result of the change in accounting policy described in note 3 above.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 1.0 Singapore cents per ordinary share for the six months ended 31 October 2010 payable to shareholders whose names appear on the register of members of the Company at the close of business, which will be announced at a later date. Dividend warrants are expected to be despatched to shareholders in due course.

BUSINESS REVIEW

Revenue

For the six months ended 31 October 2010 (“1H FY2011”), revenue decreased by approximately 4.7% from approximately US\$218.0 million for the six months ended 31 October 2009 (“1H FY2010”) to approximately US\$207.8 million. Total tonnages of steel products sold by the Group decreased to approximately 893,500 tonnes in 1H FY2011 from approximately 1,676,000 tonnes in 1H FY2010. In particular, revenue generated from the international trading dropped by approximately 14.4% from approximately US\$208.8 million in 1H FY2010 to approximately US\$178.8 million in 1H FY2011, revenue generated from domestic trade and distribution in Hong Kong increased to approximately US\$26.6 million in 1H FY2011 from approximately US\$6.0 million in 1H FY2010, revenue generated from domestic trade and distribution in the PRC decreased by approximately 23% to approximately US\$2.4 million in 1H FY2011 from approximately US\$3.2 million in 1H FY2010. Included in the international trading, there was the revenue from coal trading in 1H FY2011 was approximately US\$3.4 million.

The decrease in the Group’s revenue during the period was due to decrease in international trading of finished products and raw materials. It was affected by the measures adopted by the PRC government to cool the economy, particularly on the property sector which, in turn, affected the steel industry and hence the demand for the iron ores dropped considerably. However, the lesser demand for iron ores was offset by the increase in prices of iron ores and other steel products such as domestic trade and distribution business and coal trading business.

The sales of raw materials still dominated the Group’s revenue, representing approximately 59.8% and 65.4% of total revenue of the Group in 1H FY2011 and 1H FY2010 respectively. Trading of raw materials contributed approximately US\$124.3 million of revenue in 1H FY2011 which is approximately 12.8% lower than approximately US\$142.6 million in 1H FY2010. The Group handled approximately 758,500 tonnes of raw materials during 1H FY2011, a decrease of approximately 50.4% when compared with the previous year. Revenue from trading of finished products contributed approximately 28.9% and 26.5% of total revenue of the Group during 1H FY2011 and 1H FY2010 respectively. The revenue from trading of finished products increased to approximately US\$60.1 million in 1H FY2011 from approximately of finished products US\$57.8 million in 1H FY2010. In terms of tonnage, the Group handled approximately 97,600 tonnes of finished products in 1H FY2011 and 110,400 tonnes of finished products in 1H FY2010 which was 11.6% lower compared with the corresponding period in last year. Trading of semi-finished products accounted for approximately US\$21.1 million in 1H FY2011, which was higher than that of approximately US\$17.6 million in 1H FY2010. Approximately 35,700 tonnes and 36,800 tonnes of semi-finished products were handled by the Group in 1H FY2011 and 1H FY2010 respectively. Special products contributed approximately US\$2.3 million of revenue to the Group during 1H FY2011, while there was no revenue from such products in 1H FY2010. In terms of tonnage, approximately 1,700 tonnes of special products were sold by the Group in 1H FY2011.

Geographically, North Asia and South East Asia were the Group’s principal markets during both 1H FY2011 and 1H FY2010. Sales to North Asia and South East Asia accounted for approximately 74.4% and 22.9% respectively of the Group’s revenue for 1H FY2011 and approximately 74.0% and 26.0% respectively in 1H FY2010. Sales to South East Asia dropped to approximately US\$47.5 million in 1H FY2011 from approximately US\$56.6 million in 1H FY2010. Sales to North Asia dropped to approximately US\$154.7 million in 1H FY2011 from approximately US\$161.4 million in 1H FY2010.

Gross Profit

The gross profit decreased to approximately US\$9.0 million in 1H FY2011 from approximately US\$33.0 million in 1H FY2010. Correspondingly, the gross profit margin decreased to approximately 4.4% in 1H FY2011 from approximately 15.1% in the corresponding period in previous year. The decrease in gross profit margin in 1H FY2011 was mainly due to the change of trading terms in the international trading whereby, freight charges were paid by suppliers instead of the Group. This was also the major reason for the decrease in distribution and selling expenses.

Other Operating Income

Other operating income increased to approximately US\$2.5 million in 1H FY2011 from approximately US\$1.6 million in 1H FY2010 which was mainly attributable to compensation claims from trading contracts and transportation income from domestic trade and distribution in Hong Kong recorded in 1H FY2011. The Group entered into a settlement agreement with a defaulting supplier in August 2010 and received approximately US\$1.7 million for final settlement of the dispute. In 1H FY2010, the Group recorded a compensation income approximately of US\$1.1 million.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately 78.4% from approximately US\$25.9 million for 1H FY2010 to approximately US\$5.6 million for 1H FY2011. The decrease was mainly due to the drop in outward freight charges, distribution agency fee and port handling charges, following to the changes of the trading terms in the international trading business, which was the reciprocal of the change in gross profit. Freight charge was decreased by approximately 84.6% from approximately US\$18.6 million for 1H FY2010 to approximately US\$2.9 million for 1H FY2011. Distribution agency fees and port handling charges for 1H FY2011 was dropped by approximately 86.9% and 70.3% respectively as compared to those for 1H FY2010.

Administrative Expenses

Administrative expenses increased to approximately US\$3.0 million in 1H FY2011 from approximately US\$1.9 million in 1H FY2010. Salaries and related costs amounted to approximately US\$1.8 million in 1H FY2011 and US\$1.0 million in 1H FY2010. The increase was mainly due to the discretionary bonuses paid to staffs during the current reported period. The increase was due to increase in overhead cost of domestic trading and distribution in Hong Kong and higher depreciation recorded when compared with 1H FY2010.

Finance Costs

Finance costs of the Group for 1H FY2011 dropped by approximately 22.7% to US\$0.5 million from US\$0.6 million for 1H FY2010. The drop was due to a decrease in bank charges by 46.3% to approximately US\$0.2 million for 1H FY2011 from approximately US\$0.3 million in 1H FY2010.

Share of Results of Associated Companies

The Group recorded a gain of US\$9,000 for 1H FY2011, which was attributable to profit from the regional trade and distribution unit.

Income Tax

Income tax decreased approximately 64.1% from approximately US\$566,000 in 1H FY2010 to approximately US\$203,000 in 1H FY2011, which was mainly due to decrease in operating profit.

Review of Financial Position and Cash Flow

Inventories

Inventories held as at 31 October 2010 was approximately US\$17.3 million; approximately US\$16.0 million of inventories were held for Hong Kong domestic trade and distribution and the remaining of approximately US\$1.3 million was held for the PRC domestic trade and distribution. Comparatively, approximately US\$24.5 million and US\$2.0 million of inventories were held for Hong Kong domestic trade and distribution and the PRC domestic trade and distribution respectively as at 30 April 2010.

Receivables

Receivables increased from approximately US\$24.7 million as at 30 April 2010 to approximately US\$63.5 million as at 31 October 2010, which was mainly due to resumption of international trading in Singapore towards the end of October 2010.

Borrowings

Out of the total, approximately US\$15.3 million was used for financing inventories in the domestic trading and distribution. The remaining amounting of approximately US\$2.8 million was used to finance the office units acquired.

Payables

Payables increased to approximately US\$39.4 million as at 31 October 2010 from approximately US\$14.5 million as at 30 April 2010, which was a result from the Group entering into some international trading purchase transactions towards the end of October 2010, which is in line with the increase in receivables.

FUTURE PROSPECTS

Data from the National Bureau of Statistics released in October 2010 showed that the PRC economic growth slowed down by only registering approximately 9.6% growth during the third quarter of 2010 compared to the previous quarter of approximately 10.3% growth.

The slow down was due to the effect of the measures implemented by the PRC government specifically to the property sector with the aim to cool down the economy. According to International Monetary Fund, the GDP growth forecast for the year of 2010 in the PRC will still be at a moderate rate of approximately 10.5%, which is greater than the global GDP growth forecast for the year of 2010 at approximately 4.5%.

According to the World Steel Association, global crude steel production for the first ten months of 2010 was approximately 1,165 million tonnes. The total tonnes of global crude steel production for the first ten months of 2010 is approximately 17.5% higher than the same period in 2009 and approximately 2.4% higher than the same period in 2008. The PRC crude steel production during the first ten months of 2010 was approximately 525.1 million tonnes, which is higher by approximately 10.7% than the same period in 2009. On a year-on-year comparison for the month of October in 2010 and 2009, PRC crude steel production fell by approximately 3.8%.

INTERNATIONAL AND DOMESTIC STEEL TRADING

The PRC government has implemented measures such as electricity control to steel producers, and imposition of property restrictions which has affected the PRC steel industry.

According to data from Bloomberg, iron ore imports by the PRC jumped to approximately 59.0 million tonnes in March 2010 from approximately 49.4 million tonnes in February 2010 but demand began to moderate towards the second half of the year. According to China Iron and Steel Association, in June 2010, total iron ore imports fell to approximately 47.2 million tonnes from approximately 51.9 million tonnes in May of this year.

The Group is of view that demand for iron ores in the next six months will be recovered once Chinese steel mills inventory level becomes lower and when the Chinese steel mills begin to pick up production capabilities again.

According to the World Steel Association, the PRC steel utilisation during the period from January 2010 to August 2010 increased by approximately 9.2% but it is anticipated that the growth will be slow down considerably in the remaining part of 2010 due to the PRC government's continuing efforts to cool down the economy and the current on-going production control policies implemented on the Steel industry. The growth in the PRC steel utilisation may be further slowed down in the year of 2011 due to the weaker property sector and the phasing out of the stimulus packages.

The Group believes that the PRC steel exports will dip in the 4th quarter of 2010 due to the appreciation of the Renminbi and considerably lower demand in Europe and South East Asia.

The Group's domestic trade and distribution is currently going smoothly in the PRC and Hong Kong and are contributing steadily to the Group's overall profitability.

COAL TRADING

Based on the estimates made by the China National Coal Association, the PRC may consume approximately 4% to 6% more coal in 2010. According to sources from the PRC's National Energy Administration, the PRC energy demand may rise by approximately 3.6% in 2010.

More than 70% of China's electricity comes from coal fired power plants and the PRC has inadequate domestic supply of higher-grade coking coal, which is a key ingredient for making steel. It is expected that demand for coal in the PRC will remain high in the foreseeable future.

The Group has positioned itself to tap into this opportunity on coal trading by securing fixed allocation of coal from lending coal mines, which will contribute to the stable revenue going forward.

DUAL-LISTING IN THE STOCK EXCHANGE OF HONG KONG LIMITED

On 6th of December 2010, the Company's shares started trading in the Main Board of the SEHK. The directors of the Company (the "Directors") believe that dual primary listing status in both Singapore and Hong Kong is beneficial because it will give the Company ready access to both equity markets in Asia Pacific region when opportunity arises; it will widen the investor base of the Company and will benefit from exposure to a wider range of private and institutional investors and it is in line with the Group's focus on its operation in the PRC which is important for the Group's growth and long term development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 October 2010, the Group has total cash and bank balances of approximately US\$30.9 million (30 April 2010: US\$32.0 million). The gearing ratio, calculated as a percentage of net debt to equity, is 36% (30 April 2010: 20%) as at 31 October 2010. The current ratio is 1.89 times (30 April 2010: 2.79 times) as at 31 October 2010. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules for the six month ended 31 October 2010.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for the Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by its Directors. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the six months ended 31 October 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed at a date to be announced at a later date. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Hong Kong, Tricor Investor Services Limited and in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. by not later than 5:00 p.m. (both Hong Kong SAR time and Singapore time) on the Books Closure Date.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive Directors, is responsible for reviewing and evaluating the remuneration policies of executive directors and making recommendations to the Board from time to time.

AUDIT COMMITTEE

The Audit Committee has discussed auditing, internal controls, and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 31 October 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.novogroupltd.com), SEHK (www.hkex.com.hk) and SGX-ST (www.sgx.com). The interim report for the six months ended 31 October 2010 of the Company containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

On behalf of the Board
Yu Wing Keung, Dicky
Executive Chairman

Hong Kong, 13 December 2010

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Yu Wing Keung, Dicky, Mr. Chow Kin Wa and Mr. Chow Kin San, three independent non-executive Directors, being Mr. Foo Teck Leong, Mr. Tang Chi Loong and Mr. Tse To Chung, Lawrence.