NOVO GROUP LTD.
新源控股有限公司*

(Incorporated in Singapore with limited liability)
(Company Registration No. 198902648H)
Hong Kong Stock Code: 1048
Singapore Stock Code: MR8

* *For identification purpose only*



Annual Report 2011

NOVO GROUP LTD.
Annual Report 2011


Contents

Corporate Profile

Vision

- To become a leading global iron and steel player
- To maximize shareholders' value

Corporate Spirit

"Novo" is novelty, initiative, creativity, and future. We believe success of our business lies in the people we have: the skill, professionalism and energy to push the Group to the next level in the spirit of bringing Trust, Value, Partnership and Returns to our stakeholders and business partners.

Facing the opportunities and challenges of the iron & steel and energy industry in the new era, Novo actively adapts itself to the globalization of economies across different geographical and business areas. We enhance value by stretching our resources deployment, market exploration and customer services to all parts of the world. We strive to achieve an open-minded and win-win co-operation with our valuable partners.

Background

Established in Hong Kong in 2005 and listed on the Singapore Stock Exchange (Main Board) in 2008, and the Hong Kong Stock Exchange (Main Board) in 2010, Novo Group Ltd. is a global steel trading, distribution and manufacturing company. We specialize in the supply chain management for the steel industry.

Novo plays an active and vital role within the steel industry value chain on a long-term and recurring basis. With our capability to directly source and procure in bulk from major steel mills around the world, we are able to supply a diverse range of steel products to end-users, and at the same time, assist these mills in sourcing for raw materials efficiently and cost effectively. In the process, we create value through our integrated support services that include processing, shipping and logistics, finance and insurance services, marketing and other related professional services.

From left to right: Ms. Kwan Yee Mui, Tonette, Mr. Ma Yiu Ming, Samuel, Officer from the Hong Kong Stock Exchange, Mr. Chow Kin San, Alan, Mr. Yu Wing Keung, Dicky, Officer from the Hong Kong Stock Exchange, Mr. Chow Kin Wa, Mark, Mr. Foo Teck Leong, Mr. Tang Chi Loong, Mr. Tse To Chung, Lawrence, Mr. Ji Naxin, and Mr. Tam Hin Shi, Terry

Led by a dynamic team of professional and well experienced executives, Novo today has successfully expanded its footprints in various sectors of the steel value chain, from global trading to domestic distribution in the People's Republic of China (the "**PRC**"), Hong Kong and Macau, steel processing and manufacturing in the PRC, iron ore and coal processing and warehousing in the PRC. Novo is headquartered in Hong Kong with seven overseas branch offices and with global presence across four continents in over 30 countries.

Customers and Suppliers

Novo serves a diverse range of customers that include active and major customers in the steel and related industries from over 30 countries. These customers are from a myriad of industries that include integrated steel mills and re-rolling mills, construction and property development, engineering and fabrication, steel de-coiling centers or processing factories, importers, distributors, stockists and end-users from automobile, shipbuilding, electric appliances, petro-chemical, canning among others.

Our suppliers are top class reputable iron ore mines, steel mills and other steel producing companies that supply high quality steel products and related raw materials at competitive pricing. Among the top 40 steel producing companies in the world, over half of them are Novo's partners.

Services and Products

Novo provides steel mills and end-user customers with a wide variety of products classified under four main categories comprising raw materials, semi-finished products, finished products, coated steel and special steel items. We also offer support services to our customers that include financial and logistic services. The latter encompasses chartering, transportation and warehousing, insurance, inspection, segregation, processing and other related services which assist our business partners in strengthening their logistic flexibilities, and enhancing their overall competitive advantages.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Novo Group Ltd. ("**Novo**") for the financial year ended 30 April 2011 (FY2011).

I am also pleased to announce that Novo has successfully listed on the Main Board of the Stock Exchange of Hong Kong (the "**Hong Kong Stock Exchange**") in December 2010.

The listing of the Company's shares on the Hong Kong Stock Exchange is a milestone to the Group as it demonstrates recognition of the Group's achievement as well as support of the Group's prospects for future growth by the international capital market and investors. Our listing in Hong Kong is in line with the Group's focus on its business operations in the PRC and to be able to tap into both the Singapore and Hong Kong markets when the need arises.

FY2011 is a year of challenges and breakthroughs to the Group. In our main market the PRC, the government implemented measures in order to cool down its economy and moderate its growth after several years of posting high GDP growth. Measures were implemented in the property sector in order to prevent property bubbles from developing and curbing speculation. Monetary policies also were tightened to combat growing inflation risk in the economy. Thus the World Bank is projecting that PRC GDP growth for FY2011 will slow down to 9.3% which is lower than GDP growth of 10.3% in 2010.

Steel demand was impacted by these measures since the property sector is one of the leading sources of demand. In addition to these are the measures implemented in the steel industry such as electricity control which have contributed to the fluctuation in the demand and added to the uncertainties in the PRC steel industry.

Facing all the challenges, the Group stayed optimistically cautious during the period, and managed to expand business with moderate profit. The Group's revenue for FY2011 amounted to US$501.6 million, representing an increase of 24.5% over the previous year of revenue of US$403.0 million; net profit for FY2011 amounted to US$4.5 million, representing an decrease of 62.5% over the previous year of net profit of US$12.0 million, due to lower operating profits from iron ore trading, which was the leading contributor to the Group's revenue with its share growing to 75.2% of the Group's revenue from 59.4% share in FY2010 and coupled with the effect of increased administrative expenses and finance costs, and the one-off dual listing professional fee.

The North Asia and South East Asia remained to be our top markets in FY2011 contributing 87.0% and 11.5% of total sales respectively.

The Group upheld the financial policy of "cash is king" and our balance sheet remains strong. I am pleased to highlight that Group's year-end cash and bank balance in FY2011 amounted to US$35.8 million.

In view of the Group's performance, we are pleased to share the rewards of the Group's hard work to our supportive shareholders by recommending a final cash dividend of 2.0 Singapore cents per ordinary share. This is in addition to the interim dividend of 1.0 Singapore cent per ordinary share that was declared earlier during FY2011.

Outlook and Future Prospects

With the PRC government moderating the economy's growth, fluctuation in the demand for steel in PRC will be expected. However PRC steel production will remain approximately 670 million tonnes per annum and as a result will continue to support the demand for iron ore. Though the PRC government is encouraging domestic production of iron ore but it can only supply up to 30.0% of total demand, while the remaining 70.0% will still come from imported sources.

Key infrastructure projects in the pipeline in the PRC such as the high speed train and the investment on social housing and other infrastructure projects highlighted in the 12th 5 Year Plan of the PRC government will continue to underpin steel demand and steel production in the PRC and consequently, the demand for steel and related raw materials.

In FY2011, we have started to lay the foundation to propel the Group to its next tier of development as we venture into manufacturing and processing. We believe this will contribute to increase the Group's value, enhance our margins as well as maximize the synergy of the present business divisions of the Group.

We have structured into four business divisions, namely, (1) the International trade, (2) Domestic trade and distribution, (3) Electrolytic Tin Plate ("**ETP**") manufacturing and (4) Raw materials processing.

As part of strategic expansion of business, the new projects on ETP manufacturing and iron ore and coal warehousing and processing in the PRC were announced in March, May and June 2011. It was the Group's intention to extend the scope of our business to achieve a more comprehensive mix of business, in order to drive the sustainable growth and reach to a more vibrant stage. We believe it will further increase the Group's revenue and enhance margins in the coming years.

The establishment of Novowell ETP Limited in March 2011 signals our foray into ETP manufacturing; aiming to tap the growing demand for tin plate globally. Currently global demand for tin plate is estimated to be approximately 16 million tonnes per annum and expected to grow to 20 million tonnes per annum. Tin plates are known as good packaging material especially in canned food and drink and chemical industries. Novowell ETP will engage in manufacturing tin plates and sell in the PRC as well as international markets. For the first phase of production, the ETP plant is expected to produce 150,000 tonnes of tin plate and on the second phase its production is expected to double to 300,000 tonnes. We expect it to contribute significantly to the Group's revenue and profit.

We also announced in May 2011, the joint venture with Qingdao Port Investment and Construction Group Co. Ltd, a state-owned entity, to establish a company to engage in iron ore and coal processing and warehousing. With the global demand for iron ore and coal growing significantly, we foresee that this strategic move will help us to achieve optimization and integration throughout the supply chain, and will provide sustainable long term business opportunities, provide steady income and enhance overall profit margin. The facility will be located in Dongjiakou port where Qingdao is building over 100 berths port including at least three berths that can accommodate vessels of 400,000 tonnes, these are vessels that will transport iron ore from the biggest iron ore miner in Brazil to the PRC. The raw materials processing can provide value added services to our customers at the same time it will create positive multiplier impact and complement our present business divisions such as the international trading and domestic distribution.

The Group will actively seek opportunities, continually evaluate potential investments in resources management such as investment in iron ore mines and coal mines and endeavor to explore business diversification.

Novo is on a threshold of significant growth. As we enter into this new stage of growth we will continue to strive to achieve an open-minded and win-win co-operation with our valuable partners and remain steadfast and prudent in pursuit of business growth.

Note of Appreciation

I would like to express my heartfelt gratitude to my fellow directors, management and staff for their hard work and dedication. I would also like to thank our shareholders, investors, business partners and customers for their continuous support.

Yu Wing Keung, Dicky
Executive Chairman

CEO's Review of Operations

Dear Shareholders,

As I begin this year's review of the Group's operation I would like to underscore a milestone achieved by the Group during this period which is the successful listing of Novo Group Ltd. on the Main Board of the Stock Exchange of Hong Kong in December 2010. Our listing in Hong Kong is part of our Group's objective of being close to our market and business operation in the PRC and to increase our profile among our customers, partners, and potential investors in the PRC.

This set of results was achieved by the Group amidst a challenging business landscape. During the period, we saw converging economic, political and even natural catastrophes impacting the business environment.

Global economic growth was perceived to be fragile as problems of sovereign debts surfaced and threatened, the fragile growth of developed economies especially in Europe. While the booming economies of Asia particularly the PRC, with its GDP registering high growth rates for the past years was facing the emerging threat of high inflation and economic bubble developing in their economy. This forced the PRC government to adopt measures to cool down the economy and moderate growth through policies implemented in the property sector to prevent speculation and to tame inflation through monetary policies implemented. These measures have affected steel demand in the PRC and added to an already challenging industry environment that is facing electricity control by the government and tight raw materials supply due to calamities in Australia.

Financial Performance

With this tough environment the Group deliberately lessened its business activity and pursued development cautiously during the period. However, Novo managed to deliver growth in revenue of 24.5% to US$501.6 million in FY2011 from revenue of US$403.0 million in FY2010. Bulk of the revenue came from the sales of raw materials which represented 75.2% of total revenue in FY2011. This was a shift from just 59.4% contribution to total revenue in FY2010. The increase in percentage contribution was due to the strong demand in the PRC for raw materials during the period.

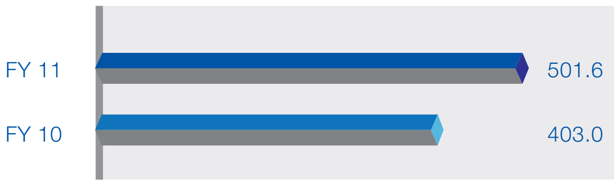
The PRC maintained its dominant position as the world's largest steel producer and it accounted for 45.0% of the world's total steel production. In year 2010, PRC produced 626.7 million tonnes of steel and in year 2011 it is expected to produce around 670 million tonnes of steel. As a result, the PRC will need approximately 1 billion tonnes of raw materials to support its steel production. The Group supplied raw materials to the PRC and handled 2.3 million tonnes of raw materials translating to US$377.4 million in revenue for the Group during the period.

Despite the jump in revenue, the Group's net profit for FY2011 declined to US$4.5 million as compared to US$12.0 million in FY2010. This was due to the drop in operating profit margin of iron ore which decreased to 3.0% in FY2011 from 7.0% in FY2010.

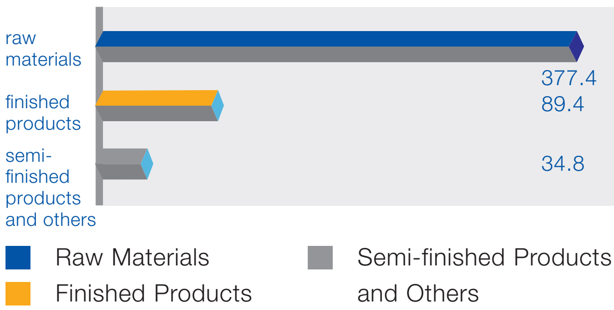
Gross profit also decreased to US$33.9 million in FY2011 from approximately US$55.7 million in FY2010. Correspondingly gross profit margin shrank to 6.8% from 13.8% in FY2010.

Revenue contribution from finished products and semi-finished products amounted to US$89.4 million and US$30.7 million in FY2011 respectively. The corresponding figures for FY2010 were US$97.8 million and US$60.3 million respectively.

Revenue (US$'m)



Revenue by Products (US$'m)



Demand for semi-finished products was impacted by the political and economic situation in our 2 key markets for semi-finished products specifically Thailand and Vietnam. During the financial period, Thailand faced political unrest which affected the business environment and consequently the demand for steel. While in Vietnam, the government implemented monetary tightening policy which made it difficult for customers to procure Letters of Credit to import steel products. But the situation in both countries has already improved and we foresee that this segment will recover and contribute positively going forward. Special and coated products segment grew to US$4.2 million in FY2011 from US$0.8 million in FY2010.

Overall, total tonnage handled by the Group in FY2011 decreased slightly to 2.5 million tonnes from approximately 2.6 million tonnes in FY2010.

Business Segment Review

The Group's core business segments namely the international trading and domestic trade and distribution performed well during the period; achieving growth in their respective revenues.

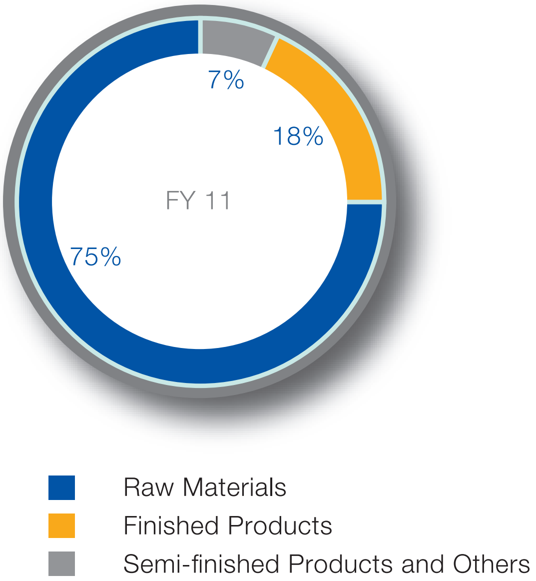
International trade, our Group's biggest division saw its revenue increasing by 20.4% to US$436.1 million in FY2011 from US$362.2 million in FY2010. Coal trading which is under this division saw its revenue growing to US$14.3 million in FY2011 from US$10.0 million in FY2010.

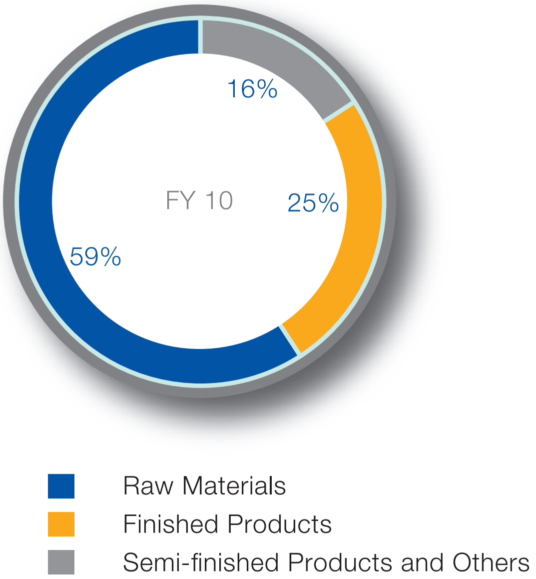
Revenue from domestic trade and distribution in Hong Kong rose to US$39.3 million in FY2011 from US$23.6 million in FY2010, while revenue from domestic trading and distribution in the PRC surged 115.6% to US$26.3 million in FY2011 from US$12.2 million in FY2010.

For the geographic segments, North Asia and South East Asia remained as principal markets in FY2011 with bulk of revenue coming from North Asia. In FY2011 revenue from North Asia accounted for 87.0% of the Group's revenue while South East Asia shared 11.5%. This was a change from North Asia and South East Asia contribution of 71.1% and 28.9% in FY2010. These translated into revenue of US$436.2 million in FY2011 from North Asia from US$286.4 million in FY2010 while revenue from South East Asia was at US$57.9 million in FY2011 from US$116.5 million in FY2010.

Revenue from India and Middle East in FY2011 was US$3.4 million while there was no contribution coming from this region in FY2010. Other geographical location accounted for US$4.1 million in FY2011 from US$0.1 million in FY2010.

Revenue by Products





CEO's Review of Operations

Financial Review

Other income of the Group decreased to approximately US$2.6 million in FY2011 from approximately US$4.1 million in FY2010. This was attributable to more compensation claims from trading contracts and ballast bonus that were recorded in FY2010. In FY2011, the Group recorded a compensation income of approximately US$2.2 million which was lower than FY2010 compensation income of approximately US$3.0 million.

Distribution and selling expense decreased by 39.9% to US$23.8 million in FY2011 from US$39.6 million in FY2010. This was due to the drop in outward freight charges, distribution agency fee and port handling charges following the changes of the trading terms in the international trading which was reciprocal of the change in gross profit.

Freight charges decreased by 38.8% to US$17.7 million while distribution agency fee and port handling charges dropped 65.4% and 26.6% in FY2011.

The Group incurred a one-off expense of US$1.3 million for professional fees and related expenses due to the listing of the Company's shares on the Stock Exchange of Hong Kong.

Administrative expenses increased to US$6.7 million in FY2011 from US$5.6 million in FY2010. Staff salary and related cost amounted to US$2.5 million in FY2011 from US$1.6 million in FY2010 due to discretionary bonuses paid in FY2011 and increasing in overhead cost of domestic trading and distribution in Hong Kong.

Inventories held as at 30 April 2011 was approximately US$19.3 million. US$17.6 million was held for Hong Kong domestic trade and distribution while the remaining US$1.7 million was held for the PRC domestic trading.

Receivables increased from approximately US$24.7 million in FY2010 to US$35.6 million in FY2011 which was due to the increase in trade and bills receivables from both Hong Kong domestic trade and distribution and international trading.

The Group's borrowing for the period of approximately US$14.5 million was used for financing inventories in the domestic trade and distribution and approximately US$1.0 million for financing international trading. The remaining amount of US$2.6 million was used to finance the office units required.

* *for identification purpose only*

The Group has healthy cash and bank balances amounting to US$35.8 million and net asset value per share as of 30 April 2011 was US 35.8 cents (approximately HK$2.79 or SG$0.44).

New Business Update

FY2011 presented exciting opportunities for the Group as we have forged 2 key expansions through joint ventures that will usher the Group to its next phase of development. Novo Group will move into manufacturing through Electrolytic Tin Plate (ETP) and to raw materials processing and warehousing through the joint venture with Qiandao Port Investment and Construction Group Co. Ltd.

Electrolytic Tin Plate manufacturing

Novowell ETP Limited is the Group's subsidiary (of which the Group holds as to 95% interest) and was formed under a joint venture partnership arrangement between Novo ETP Limited, Shanghai Tong Chang Industrial Co., Ltd* ("**Tong Chang**") and Shanghai Idowell Steel Engineering And Equipment Co., Ltd* ("**Idowell**") whereas Idowell will act as a technical service provider. Tong Chang and Idowell are PRC incorporated companies that engaged in manufacturing and trading of ETP products.

Novowell ETP Limited will manufacture ETP products which are mainly used in packaging canned food, drink and chemical products and sell the ETP products in the PRC and the international market. The Group will position itself as a niche, high-end ETP manufacturer and we are aiming to capture the growing global demand.

In June 2011, we announced that the Group will increase its capital injection and shareholder loan by US$5.7 million and US$2.5 million respectively and the total contribution will amount to US$15.3 million.

Iron ore and Coal warehousing and processing

In May 2011, we entered into a joint venture agreement with Qingdao Port Investment and Construction Group Co. Ltd, a state-owned firm to form a company that will engage in the processing and warehousing of iron ore and coal. With the global demand for iron ore and coal continually growing, the Group expects this venture to provide steady income and enhance overall profit margin.

The Group plans to build a facility located near Dongjiakou terminal which will warehouse and process iron ore and coal. Processing involves washing, cleaning, crushing and blending of iron ore depending on end user requirement and earns margin from processing.

Total investment in the joint venture company will be approximately RMB90.0 million.

Steel Processing Plant

The steel processing plant in Tianjin is under construction, and is expected to start operation within the first half of 2012.

As a result of this we have structured our business divisions to include these two new ventures. The synergies of the business division will become more vibrant and solid, which will allow us to capture market share and increase our overall margins.

Scrap Steel Processing

Negotiating with partners and governments for term and details is still undergoing.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries or Associated Companies

Save for those disclosed in this report, there were no significant investments held as at 30 April 2011, nor were there material acquisitions and disposal of subsidiaries during the Year.

Pledge of Assets

Certain assets of the Group have been pledged to secure the bank borrowings of the Group. For details, please refer to Note 22 to the Consolidated Financial Statements of the Annual Report.

Foreign Exchange Exposure

Sales and purchases of the Group were transacted in USD, HKD and RMB. Most of the Group's monetary assets and liabilities were denominated in these currencies. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Contingent Liabilities

The Group's contingent liabilities as at 30 April 2011 are shown in Note 28 to the Consolidated Financial Statements of this Annual Report.

Liquidity and Financial Resources

As at 30 April 2011, the Group had total cash and bank balances of approximately US$35.8 million (30 April 2010: US$32.0 million). The gearing ratio, calculated as a percentage of net debt to equity, was 15% (30 April 2010: 20%) as at 30 April 2011. The current ratio was 2.35 times (30 April 2010: 2.79 times) as at 30 April 2011. 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.

Employees and Remuneration Policies

As at 30 April 2011, the Group had a total of 71 full-time employees. The Group determines its staff's remuneration based on factors such as qualifications, years of experience, market conditions and performance of the individual employees. The Company does not have share option scheme for its employees.

Appreciation

Our business environment might be fraught with uncertainties but I am confident that Novo can withstand the challenges because of our sound and solid business model and the good, experienced and capable team that we have.

I would like to extend my gratitude to our shareholders, business partners and stakeholders, our employees and lastly to our Board of Directors. I look forward once again to your continued support as we forged ahead.

Chow Kin Wa
Executive Director and CEO

Future Outlook

With its growth blueprint, Novo expands and invests into electrolytic tin plate manufacturing, steel processing and raw materials warehousing and processing to take advantage of the growing demand for tin plates and raw materials in the PRC and globally.

Novo Group embarks on strengthening further its business by expanding its business divisions to capture new markets, create new revenue streams, enhance its margins and shareholders' value.

Extensive Geographic Coverage

Head Office: Hong Kong

Branch Offices:

Dubai
Guangzhou
India
Shanghai
Singapore
Taizhou
Tianjin

Agents:

Argentina, Australia, Bangladesh, Brazil, Canada, Chile, CIS, Germany, Indonesia, Italy, Japan, Mexico, New Zealand, Philippines, PRC, South Korea, Spain, Sri Lanka, Switzerland, Taiwan, Thailand, Turkey, UK, Ukraine, USA, Venezuela, Vietnam

Board of Directors

Executive Directors

Mr. Yu Wing Keung, Dicky (余永強先生), aged 48, is the Chairman of the Board 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 Kin Wa in 2005. He is responsible for formulating the Group's strategic directions, expansion and overall business development plans. He is also a director and controlling shareholder of New Page Investments Limited, which is a controlling shareholder of the Company. From 1990 to 1991, Mr. Yu worked for Metallgesellschaft Hong Kong Limited with the last position as manager of steel department. 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. He worked for Linkful Material Supply Ltd. and Linkful Management Services Ltd. in 1996 with his last position as deputy managing director. From 1997 to 2005, he worked for Burwill Holdings Limited (formerly known as WellNet Holdings Limited), 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. 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). Mr. Yu started his own business in steel trading by founding the Group in 2005. Mr. Yu has over 20 years' experience in multinational steel manufacturing, investment and trading business and has established extensive global business networks. Mr. Yu holds a Master of Business Administration from the University of Durham and is a member of Chartered Institute of Marketing, United Kingdom.

Mr. Chow Kin Wa (周建華先生), 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 Wing Keung, Dicky in 2005. He is also a director and controlling shareholder of New Page Investments Limited, which is a controlling shareholder of the Company. He is responsible for the business development and trading activities of the Group. He also assists Mr. Yu, the Chairman of the Board, 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. 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. Mr. Chow has more than 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. He is the younger brother of Mr. Chow Kin San, an executive Director.

Mr. Chow Kin San (周建新先生), aged 47, 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. 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 Institute of Public 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.

Independent non-executive Directors

Mr. Tang Chi Loong (曾子龍先生), aged 42, 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 has been a director of Guangzhao Industrial Forest Biotechnology Group Limited up to June 2011, 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), aged 46, 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 has been a director of Guangzhao Industrial Forest Biotechnology Group Limited up to June 2011, 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.

Mr. Tse To Chung, Lawrence (謝道忠先生), aged 43, is 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. He is a member of the Audit Committee, Remuneration Committee and Nominating Committee.

Senior Management

Mr. Chong Wai Man (莊偉文先生), aged 47, is the Group Financial Controller since April 2011. Mr. Chong has over 20 years' experience in finance, accounting and taxation 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. He is a MBA holder, a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Chong had been working for various Hong Kong listed companies holding key positions in financial and corporate accounting functions.

Ms. Kwan Yee Mui, Tonette (關儀梅女士), aged 45, is the Treasurer of the Group. Ms. Kwan joined the Group in 2006 and has been responsible for the overall finance and risk management of the Group. Prior to joining Novo, she had over 20 years of corporate banking experience and was the regional head of the commodity finance divisions for several top tier foreign banks over 12 years. Ms. Kwan is well experienced with the metal and steel industries, and commodity trade finance. During her career in banking, she has established a global banking network and reputation. She graduated from the University of Hong Kong with a Bachelor of Arts degree.

Mr. Ma Yiu Ming (馬耀明先生), aged 49, is the Head of Operations of the Group. Mr. Ma joined the Group in 2006 and has been responsible for the Group's business coordination and integration various functional developments such as operations, shipping, insurance and legal. With over 25 years of experience in the international traffic and logistics business, particularly in shipping, insurance, cargo inspection, arbitration and legal matters. He has held managerial positions with various shipping and chartering companies and has been involved in their ships' operations and chartering functions. He is currently a fellow member of Institute of Chartered Shipbrokers. He holds a Master and Bachelor of Business and Administration.

Ms. Lam Ying Ngor (林瑛娥女士), aged 54, is the Finance and Administration Manager of the Group. Ms. Lam joined an associated company of the Group in 2006 and joined the Group in 2007 and has been responsible for the Group's financial accounting, office administration and human resource functions. She has over 25 years' accounting experience in international trading/manufacturing business, primarily in the metal and steel industries and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chu Wai Lim (朱偉濂先生), aged 42, is the Trade Finance Manager of the Group. Mr. Chu joined the Group in 2005 and has been responsible for the overall bills operations and trade finance of the Group. With over 15 years of experience in several major commodity banks and trading companies, he has extensive knowledge in the documentation of letters of credit and trade finance, and he has established good relationships with many banks worldwide.

Mr. Chan Ying Lap (陳英立先生), aged 59, is the Assistant General Manager of the Group. Mr. Chan joined an associated company of the Group in 2006 and joined in the Group in 2007 and has been 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 Novo.

Business Divisions

NOVO

Novo Group Ltd.

International Trade

Novo Commodities Limited

Novo Commodities Pte Ltd

Steel and Raw Materials Processing

Novo Development (Tianjin) Limited

Qingdao Novo Port Investment Logistic Limited

Domestic Trade and Distribution

Qiang Hua (Shanghai) Trading Limited

Novo Steel (HK) Limited

Electrolytic Tin Plate Manufacturing

Novowell ETP Limited

Business Divisions

I. International Trade

International steel trading is one of the core businesses of the Group. This division is sourcing bulk quantities of steel products from reputable steel mills to fulfil specific requirements of end-users in different industries; at the same time it also assists the steel mills in sourcing for steel related raw materials. It provides value-added services such as sourcing products, arranging for insurance services and related logistics services to deliver the products to customers. The Group's trading activities plays an important part in the steel industry by sourcing for resources from countries with overall cost competitiveness to supply to customers in different key markets who are in need of the resources.

Products that are handled and traded include (1) raw materials, (2) semi-finished products, (3) finished products, and (4) coated steel and special steel items.

It derives its supply from iron ore mines, steel mills and other steel producing companies that supply high quality steel products and related raw materials at competitive pricing. The Group counts over half of the world's top steel producing companies as its partner.

II. Domestic Trade and Distribution

The Group's domestic trade and distribution is handling products such as iron ore, billet, slab and flat rolled steel products in the key domestic market areas such as Shanghai, Jiangsu, Shandong, Tianjin, Hebei and Guangdong Province.

In Hong Kong, it keeps structural steel products in warehouse for on time delivery to construction sites, it mainly handles deformed bar, beams, sheet pile, pipes and plates for local construction projects.

Domestic trade and distribution business brings the Group closer to its end users and provides value-added services to customers such as financing, quality assurance, timely deliveries warehousing and distribution and logistics services.

III. Electrolytic Tin Plate Manufacturing

Novowell ETP Limited was established in March 2011 to engage in manufacturing electrolytic tin plates in the PRC. It is expected to start production in August 2012 and the tin plates will be sold in domestic and international markets.

Tin plates are mainly used as packing material. It is used in food cans, beverage cans, pressured sprayer cans, chemical product cans and dry good cans and can caps among others.

IV. Steel and Raw Materials Processing

Novo Development (Tianjin) Limited will handle the Group's steel processing. The steel processing centre located in Tianjin has commenced construction in July 2010 and expected to be completed within 2011. The steel processing centre is expected to handle steel flat products which will be processed and packed for distribution for local market. The steel processing centre will serve end users like steel pipe makers, can makers, fabricators, contractors, processors in automobile industries, electric appliances and packaging industries among others.

The Group will be setting up a joint venture company with Qingdao Port Investment and Construction Group Co. Ltd to engage in warehousing and processing of iron ore and coal business in Dongjiakou Port, Qingdao.

Steel Products

(1) Raw Materials

Raw materials are composed of iron ore, pellets, scrap and pig iron which are generally used for producing semi-finished or finished steel products, such as billet, bloom and slabs etc.

1) Iron ore

Iron ore includes rocks and minerals, in which metallic iron can be extracted. It is the raw materials used for making steel.

2) Pellet

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

3) Pig iron

Pig iron is the semi-finished product which is poured from a smelting furnace. It has high carbon content, typically 3.5-4.5%, but is brittle and with applications in electric arc furnace.

4) Scrap

Steel scrap is a vital raw material which is recycled to produce new steel and cast-iron products.

5) Coal

Coal has many important uses worldwide. The most significant uses are in electricity generation, steel production, cement manufacturing and as a liquid fuel.

(2) Semi-Finished Products

Semi-finished products are composed of billets and slabs which are generally used for producing wire rod, deformed steel bar, hot rolled plate and hot rolled coil.

1) Billets

A billet is a solid semi-finished round or square product. After further hot rolling, they 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.

2) Slabs

Slabs are semi-finished products, which after further hot rolling, can be processed into steel coils and plates.

(3) Finished Products (Long and Flat Products)

Long products are composed of deformed bar, wire rod, tubes, sections, angles and channels while flat products are composed of hot rolled coil, hot rolled plate, cold rolled coil and cold rolled sheet.

1) Hot rolled coils

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

2) Cold rolled coils

Cold rolled coils are manufactured from hot rolled steel coil by re-rolling and cooling of hot rolled sheets. They are used extensively in the automobile industry and for household appliances.

3) Hot rolled plates

Hot rolled plates are steel plates manufactured from the process of hot rolling and are produced in varying thickness and sizes according to specification. They are widely used in the construction and shipbuilding industries.

4) Deformed bars

Deformed bars are manufactured from the process of hot rolling and are widely used in the construction industry.

5) Wire rods

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

6) Section steel

Section steel includes beams, angle steel, channel steel, light and heavy rail, flat steel and so on. They are widely used in construction and transportation.

(4) Other Products: Coated Steel and Special Steel Items

Composed of products such as galvanized steel coils, pre-painted galvanized steel coils and tinplate which are generally used for general construction, electrical appliances, automobile, shipbuilding and other heavy and light industries.

1) Pre-painted galvanized coil (PPGI)

PPGI is pre-painted galvanized steel, in which galvanized steel is the basic substrate of metal. PPGI can be painted with a color coated on it.

2) Hot-dip galvanized coil (HDGI)

Hot-dip galvanizing is a form of galvanization. It is the process of coating steel with a layer of zinc.

3) Stainless steel

Stainless steel is a kind of steel alloy, containing chromium and nickel content, which is corrosion resistant as it does not corrode or rust as easily as ordinary steel.

4) Tinplate

Tinplate is a kind of rolling product which is coated with a thin layer of tin. It is widely used in the manufacture of tin cans.

5) Silicon steel coil

Silicon steel is usually produced in the form of cold-rolled coil/strip. It is a kind of specialty steel which produces certain magnetic properties.

Corporate Governance Report

The Board of Directors (the "**Board**") of Novo Group Ltd. (the "**Company**") is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 30 April 2011.

Corporate Governance Practices of the Company

The Company is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**") to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the year ended 30 April 2011, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). As such, the Company has adopted, for corporate governance purposes, the code provisions of the Code on Corporate Governance Practices (the "**HK CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**HK Listing Rules**"), in additional to the Singapore Code of Corporate Governance 2005 (the "**Singapore CG Code**"). In the event of any conflict between the Singapore CG Code and the HK CG Code, the Company will comply with the more onerous code provisions.

Throughout the period from 6 December 2010, the date on which the shares of the Company were listed on the SEHK to 30 April 2011, the Company has complied with the code provisions as set out in the HK CG Code (to the extent that such provisions are applicable), except for the deviation from code provision A.4.1 which is explained in the relevant paragraph of this Report.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the Singapore CG Code and the HK CG Code.

The Board

Responsibilities

The primary role of the Board is to lead and control the Company's operations and affairs and to protect and enhance long-term shareholders' value. The Board oversees the management of the business and affairs of the Group and is responsible for the overall performance of the Group. The Board provides entrepreneurial leadership, sets the overall strategy for the Group and ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board is also responsible for:

- Providing guidance and leadership for corporate and strategic directions of the Group;
- Reviewing the financial performance of the Group;
- Providing guidance to overall management of the business and affairs of the Group;
- Setting up broad policies and financial objectives of the Company;

- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approving the nominations of Board Directors and appointment of key personnel;
- Reviewing and approving of investments, merger and acquisition and disposal transactions;
- Approving annual budgets and major funding proposals;
- Assuming responsibility for corporate governance; and
- Reviewing the performance of management.

To facilitate effective management, certain functions have been delegated to various Board Committees, namely Nominating Committee, Remuneration Committee, Audit Committee and Investment Committee, each of which has its own written terms of reference and whose actions are reported to and monitored by the Board.

The Board has scheduled to meet at least four times a year. In addition, the Board holds meetings at such other time as may be necessary to address any specific significant matters that may arise. The Company's Articles of Association allows the meetings of Directors to be conducted by means of telephone conference or video conference or other similar communications.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Board is of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations. The Nominating Committee, which has the responsibility of reviewing the independence of Directors on an annual basis, had adopted the definition of "independent" director set out in the Singapore CG Code.

The Board members comprise businessmen and professionals with legal and financial background and business/management experience, all of whom as a group, provides the Board with the necessary experience and expertise to direct and lead the Group.

Independent non-executive Directors contribute to the Board process by monitoring and reviewing senior management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging senior management's proposals or decisions, they bring independent judgment on business activities and transactions involving conflicts of interest and other complexities.

Board Composition

The Board currently comprises six members, consisting of three executive Directors and three independent non-executive Directors:

Executive Directors:

Mr. Yu Wing Keung, Dicky *(Executive Chairman and Authorised Representative under the HK Listing Rules)*
Mr. Chow Kin Wa *(Chief Executive Officer)*
Mr. Chow Kin San *(Authorised Representative under the HK Listing Rules and Chairman of the Investment Committee)*

Independent non-executive Directors:

Mr. Tang Chi Loong *(Chairman of the Nominating Committee and Remuneration Committee, member of the Audit Committee and Investment Committee)*
Mr. Foo Teck Leong *(Chairman of the Audit Committee, member of the Nominating Committee, Remuneration Committee and Investment Committee)*
Mr. Tse To Chung, Lawrence, appointed on 19 November 2010 *(member of the Audit Committee, Nominating Committee and Remuneration Committee)*
Mr. Chua Keng Hiang *(resigned on 27 August 2010)*

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the HK Listing Rules from time to time.

Mr. Chow Kin Wa, Chief Executive Officer and executive Director, is the younger brother of Mr. Chow Kin San, executive Director. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 30 April 2011, the Board at all times met the requirements of Rules 3.10(1) and (2) of the HK Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the HK Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the HK Listing Rules.

All Directors have brought a wide spectrum of valuable of business experience knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit, Remuneration, Nominating and Investment Committees of the Company.

Access to Information

The Board is furnished with detailed information concerning the Group from time to time, to enable the Board to fulfill its responsibilities and to be fully cognizant of the decisions and actions of the Group's executive management. All the Directors have unrestricted access to the Company's records and information. Board papers are prepared for each meeting of the Board and include sufficient information from senior management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. The independent non-executive Directors have access to all levels of senior executives in the Group and are encouraged to speak to other employees to seek additional information if they so require.

Should the Directors, whether as a group or individually, need independent professional advice, the Company will, upon direction by the Board, appoint a professional advisor selected by the Group or the individual to render the advice. The Company will, if necessary, organise briefing sessions or circulate memoranda to the Directors to enable them to keep pace with regulatory changes.

The Board has independent access to the Company Secretaries, who provides the Board with regular updates on the requirements of the Companies Act (Chapter 50) of Singapore, the HK Listing Rules and all other rules and regulations of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company Secretaries also attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed.

Executive Chairman and Chief Executive Officer

The Executive Chairman of the Board is Mr. Yu Wing Keung, Dicky and the Chief Executive Officer ("**CEO**") is Mr. Chow Kin Wa. The positions of Executive Chairman and CEO are held by separate individuals in order to preserve independence and a balance of views and judgement.

The Executive Chairman is, amongst others, responsible for:

- leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- reviewing key proposals before they are presented to the Board for consideration;
- ensuring effective communications with shareholders;
- exercising control over quality, quantity and timeliness of the flow of information among the Board members and between management and the Board; and
- ensuring compliance with and promoting high standards of corporate governance.

The Executive Chairman assumes executive responsibilities for the Group's performance and the Group's business and CEO monitors the day-to-day operations.

There is no relationship between the Executive Chairman and the CEO.

Appointment and Re-election and Removal of Directors

Each of the executive Directors has entered into a service agreement with the Company. Such term is subject to his re-election by the Company at an annual general meeting (the "**Annual General Meeting**") upon retirement.

In accordance with the Company's Articles of Association, any Director appointed by the Board as an additional Director or to fill a casual vacancy shall hold office until the next general meeting of members after his/her appointment and be subject to re-election 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 every Director (including those appointed for a specific term) shall retire at least once every three years and being eligible offer themselves for re-election.

Code provision A.4.1 of the HK CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election.

Although all the independent non-executive Directors of the Company are not appointed for a specific term, all Directors of the Company (including independent non-executive Directors) are subject to retirement by rotation at least once every three years and any new Director appointed as an additional Director or to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment pursuant to the Company's Articles of Association.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nominating Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established four committees, namely, the Nominating Committee, Remuneration Committee, Audit Committee and Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

The Board also has the full support of the CEO and the senior management for the discharge of its responsibilities.

Nominating Committee

The Nominating Committee comprises three members, namely, Mr. Tang Chi Loong (Chairman), Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence, all of them are independent non-executive Directors.

The Chairman of the Nominating Committee is an independent non-executive Director not associated with a substantial shareholder of the Company.

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.

The independence of each Director is reviewed annually by the Nominating Committee with reference to the guidelines set out in the Singapore CG Code. The Nominating Committee had assessed the independence of the independent non-executive Directors and is satisfied that there are no relationships which would deem any of the independent non-executive Directors not to be independent.

The Nominating Committee is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments.

The Nominating Committee has formulated a process to evaluate and assess the effectiveness of the Board as a whole. The performance evaluation criteria includes an evaluation of the composition and size of the Board, the Board's access to complete, adequate and timely information, Board procedures and accountability.

The Nominating Committee will ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made. The performance criteria that the Nominating Committee will consider in relation to an individual Director include the Director's industry knowledge and/or expertise, time and effort dedicated to the Group's business and affairs, work commitments, attendance and participation at the Board and Board committee meetings. Each member of the Nominating Committee shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as Director.

The Nominating Committee met once during the year ended 30 April 2011 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Articles of Association, Mr. Tse To Chung, Lawrence, having been appointed as independent non-executive Director during the year, shall retire and being eligible, offer himself for re-election at the forthcoming Annual General Meeting. In addition, Mr. Chow Kin San and Mr. Tang Chi Loong shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The Nominating Committee had recommended to the Board the nomination of the above-named Directors for re-election as Directors at the forthcoming Annual General Meeting. The Board had accepted the recommendation of the Nominating Committee.

The Company's circular dated 22 July 2011 contains detailed information of the Directors standing for re-election.

Training and Continuing Development

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the HK Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

Board Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The CEO, Group Financial Controller and Company Secretaries attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 30 April 2011, 4 regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each Director at the meetings of the Board, Audit Committee, Nominating Committee and Remuneration Committee during the year ended 30 April 2011 are set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of Meeting held during the year ended 30 April 2011	4	4	1	1
Yu Wing Keung, Dicky	4	–	–	–
Chow Kin Wa	4	–	–	–
Chow Kin San	4	–	–	–
Foo Teck Leong	4	4	1	1
Tang Chi Loong	4	4	1	1
Tse To Chung, Lawrence (appointed on 19/11/2010)	2	2	–	–
Chua Keng Hiang (resigned on 27/08/2010)	1	1	1	1

Emoluments of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 30 April 2011 are set out on page 71 in note 10 to the financial statements.

Remuneration Committee

The Remuneration Committee comprises three members, namely, Mr. Tang Chi Loong (Chairman), Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence, all of them are independent non-executive Directors.

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, including the share option scheme (if any).

The principal function of the Remuneration Committee is to ensure that a formal and transparent set of policies and procedures are in place for determining executive remuneration and for fixing the remuneration packages of individual Directors and that no Director should be involved in deciding his own remuneration.

The Remuneration Committee covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind. In setting remuneration packages, the Remuneration Committee takes into consideration the pay and employment conditions within the industry and in comparable companies, as well as the Group's relative performance and their individual performance. The Remuneration Committee's recommendations are submitted for the endorsement by the entire Board. The Remuneration Committee also ensures that the performance-related elements of remuneration be designed to align interests of executive Directors with those of shareholders and link rewards to corporate and individual performance. The Remuneration Committee has access to expert advice within and outside the Company when the need arises.

Independent non-executive Directors have no service agreements with the Company. The Board recommends the quantum of Directors' fees to be paid to the independent non-executive Directors based on their contributions, taking into account factors such as frequency of meetings, effort and time spent as well as responsibilities. Directors' fees are subject to the approval of the shareholders at Annual General Meeting. The Remuneration Committee had recommended to the Board an amount of S$120,000 as Directors' fees for the financial year ending 30 April 2012. The Board will table this at the forthcoming Annual General Meeting for shareholders' approval.

The remuneration of executive Directors comprises a basic salary and variable components. The Company has in place service agreements with all the executive Directors, Yu Wing Keung, Dicky, Chow Kin Wa and Chow Kin San for a period of 3 years. The service agreement provides for termination by either party, upon giving not less than 6 months' notice in writing.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors for the year under review.

Emoluments of Directors

A breakdown, showing the level and mix of each individual Director's total emoluments payable for FY2011 is set out in the following table:

	Salary and bonus	Fees	Share option	Allowances and other benefits	Total
	%	%	%	%	%
S$250,001 – S$500,000					
Yu Wing Keung, Dicky	100	–	–	–	100
Chow Kin Wa	100	–	–	–	100
Chow Kin San	100	–	–	–	100
Below S$250,000					
Tang Chi Loong	–	100	–	–	100
Foo Teck Leong	–	100	–	–	100
Tse To Chung, Lawrence (appointed on 19/11/2010)	–	100	–	–	100
Chua Keng Hiang (resigned on 27/08/2010)	–	100	–	–	100

Emoluments of Senior Management who are not Directors

For FY2011, the Group had the following Senior Management whose emoluments are set out below:

	Salary and bonus	Share option	Allowances and other benefits	Total
	%	%	%	%
Below S$250,000				
Chong Wai Man	100	–	–	100
Kwan Yee Mui, Tonette	100	–	–	100
Ma Yiu Ming	100	–	–	100
Lam Ying Ngor	100	–	–	100
Chu Wai Lim	100	–	–	100
Chan Ying Yap	100	–	–	100
Ho Sin Yam, Patrick (resigned on 12/04/2011)	100	–	–	100

The Company has adopted a remuneration policy for staff comprising a fixed component (in the form of a base salary) and a variable component, which is in the form of discretionary bonus that is linked to the Company's and the individual's performance. Other element of the variable component is the grant of share options and awards to staff under the incentive schemes (if any).

Immediate Family Member of Director

For the financial year ended 30 April 2011, there were no employees in the Group who were immediate family members of a Director or the CEO whose remuneration exceeded S$150,000.

Audit Committee

The Audit Committee comprises three independence non-executive Directors namely, Mr. Foo Teck Leong (Chairman), Mr. Tang Chi Loong and Mr. Tse To Chung, Lawrence (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- reviews the audit plans and results of the external auditors of the Company and the internal auditors' evaluation of 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, half-year and annual financial statements and announcements before submission to the Board for approval;
- 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;
- reviews interested person transactions in accordance with the requirements as defined in the Listing Manual and the HK Listing Rules 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 (if applicable), 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.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the senior management of the Company and full discretion to invite any Director or executive officer of the Company to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Audit Committee also examines any other aspects of the Company's affairs, as it deems necessary where such matters relate to exposures or risks of regulatory or legal nature, and monitor the Company's compliance with its legal, regulatory and contractual obligations.

The Audit Committee has undertaken a review of all non-audit services provided by the external auditors for FY2011 and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors. The Audit Committee has recommended the re-appointment of Messrs Baker Tilly TFW LLP as external auditors at the forthcoming Annual General Meeting.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's quarterly/interim/annual results and Interim Report/Annual Report, the financial reporting and compliance procedures, the internal control report on the Company's internal control system and risk management systems and processes, and the re-appointment of the external auditors.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 April 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the HK Listing Rules and other statutory and regulatory requirements.

The senior management of the Group has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes.

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has outsourced its internal audit function to an independent accounting firm, Baker Tilly Hong Kong Business Services Limited and the Board of Directors and the Audit Committee have reviewed the internal control system and have considered its recommendations.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 42 of this Annual Report.

During the year under review, the remuneration paid/payable to the Company's external auditors, Messrs. Baker Tilly TFW LLP, is set out below:

Service Category	Fees Paid/ Payable US$
Audit Services	73,951
Non-audit Services	
Tax Advisory Services	6,747
Total	80,698

Communication with Shareholders and Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Executive Chairman of the Board as well as chairmen of the Nominating Committee, Remuneration Committee, Audit Committee and Investment Committee or, in their absence, other members of the respective committees are available to answer questions at shareholder meetings.

To promote effective communication, the Company maintains a website at www.novogroupltd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access. Investors may write directly to the Company or via email to info@novogroupltd.com for any enquiries.

Corporate Governance Report

Shareholder Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the HK Listing Rules and poll results will be announced on SGXNET and SEHK's website and posted on the website of the Company after each shareholder meeting.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from 6 December 2010, the date on which the shares of the Company were listed on the SEHK to 30 April 2011.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

Dealings in the Company's Securities

In compliance with the SGX-ST Listing Manual (the "**Listing Manual**"), the Company prohibits the Directors, officers and staff of the Group to deal in the Company's securities whilst in possession of unpublished material price sensitive information and during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month's before the Company's full year financial statements. The Directors, officers and staff are also discouraged from dealing in the Company's securities on short-term considerations. The Company will not purchase or acquire any shares through Market Purchases or dispose any shares during the aforesaid period.

Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions.

All interested person transactions will be documented and submitted periodically to the Audit Committee for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

There was no transaction with interested person during the financial year ended 30 April 2011 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual.

Risk Factors and Risk Management

The risk factors and management are set out in the notes to the financial statements in this Annual Report.

Material Contracts and Loans

Except as disclosed in this Annual Report, there were no other material contracts and loans of the Company, or any of its subsidiaries involving the interests of CEO or any Directors or controlling shareholders, during the financial year ended 30 April 2011, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Financial Contents

Directors' Report

The directors (the "**Directors**") are pleased to present their report to the members together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 April 2011.

Principal activities

The Group is principally engaged in trading and distribution of steel products and related raw materials.

Results and dividends

The Group's profit for the year ended 30 April 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 104 of this Annual Report.

An interim dividend of 1.0 Singapore cent per ordinary share in respect of the year was paid to shareholders of the Company on 21 January 2011. The Directors recommend the payment of a final dividend of 2.0 Singapore cents per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company at the close of business on 8 September 2011, such dividend will be paid on 22 September 2011 subject to the shareholders' approval at the forthcoming Annual General Meeting.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

The valuation of the Group's properties were approximately US$8.74 million at 30 September 2010, details of which were disclosed in the property valuation of the listing document of the Company dated 26 November 2010. For the properties held by the Group for own use, the additional depreciation that would be charged against the consolidated income statement of the Group had those properties been stated at such valuation will be approximately US$13,000 for the year ended 30 April 2011.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

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 year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity.

As at 30 April 2011, the Company's reserves available for distribution amounted to approximately US$2,950,644 (2010: US$3,977,520).

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 58% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 57% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28%.

None of the Directors and their associates, or, so far as the Directors were aware, shareholders who owned more than 5% of the Company's issued share capital had any interest in any of the five largest customers and the five largest suppliers of the Group.

Directors

The Directors in office during the year and up to the date of this report are:

Executive Directors

Yu Wing Keung, Dicky *(Executive Chairman)*
Chow Kin Wa *(Chief Executive Officer)*
Chow Kin San

Independent non-executive Directors

Tang Chi Loong	
Foo Teck Leong	
Tse To Chung, Lawrence	(Appointed on 19 November 2010)
Chua Keng Hiang	(Resigned on 27 August 2010)

In accordance with Article 89 of the Articles of Association of the Company, Mr. Chow Kin San and Mr. Tang Chi Loong shall retire at the Annual General Meeting. In addition, Mr. Tse To Chung, Lawrence who was appointed by the Board on 19 November 2010 shall hold office until the conclusion of the forthcoming Annual General Meeting pursuant to Article 88 of the Articles of Association. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

No Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within the year without payment of compensation (other than statutory compensation).

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**SEHK**") (the "**HK Listing Rules**") and considers all of the independent non-executive Directors to be independent.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' remuneration

The Directors' remuneration is subject to approval by the remuneration committee with reference to Directors' responsibilities and performance and the results of the Group. Details of which are set out in note 10 to the financial statements.

Director's interests in contracts

Save disclosed in this Annual Report, no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as the end of the year or at any time during the year.

Directors' interests in shares and debentures

(a) Disclosure under Singapore Law

(i) According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital and debentures of the Company and related companies, except as follows:

	Number of ordinary shares			
	Shareholdings registered in name of Director		Shareholdings in which a Director is deemed to have an interest	
	At 30.4.2011	At 1.5.2010	**At 30.4.2011**	At 1.5.2010
The Company				
Yu Wing Keung, Dicky	**5,759,031**	23,036,124	**119,656,250**	478,625,000
Chow Kin Wa	**2,468,156**	9,872,624	**117,143,750**	468,575,000
Foo Teck Leong	**17,500**	70,000	**–**	–

Note: During the year, the Company had consolidated every 4 shares into 1 share which became effective on 15 November 2010.

	Number of ordinary shares			
	Shareholdings registered in name of Director		Shareholdings in which a Director is deemed to have an interest	
	At 30.4.2011	At 1.5.2010	**At 30.4.2011**	At 1.5.2010
Holding company				
New Page Investments Limited				
Yu Wing Keung, Dicky	**7**	7	**–**	–
Chow Kin Wa	**3**	3	**–**	–

Directors' interests in shares and debentures (Continued)

(a) Disclosure under Singapore Law (Continued)

(ii) By virtue of Section 7(4) of the Companies Act (Chapter 50) of Singapore (the "**Companies Act**"), the Directors, Mr. Yu Wing Keung, Dicky and Mr. Chow Kin Wa, being entitled to control the exercise of not less than 20% of the votes attached to voting shares in the Company as recorded in the register of Directors' shareholdings, are each deemed to have an interest in the shares held by the Company in its wholly owned subsidiaries, and in shares held by the Company in the partially-owned subsidiaries set out below:

	Number of ordinary shares			
	Shareholdings registered in name of Director		Shareholdings in which a Director is deemed to have an interest	
	At 30.4.2011	At 1.5.2010	**At 30.4.2011**	At 1.5.2010
Partially-owned subsidiaries				
Novo Commodities Private Limited (Note 1)				
Yu Wing Keung, Dicky	**–**	–	**100,000**	51,000
Chow Kin Wa	**–**	–	**100,000**	51,000
Novo Steel (HK) Limited				
Yu Wing Keung, Dicky	**–**	–	**510,000**	510,000
Chow Kin Wa	**–**	–	**510,000**	510,000
Eastern Bulk Pte Ltd				
Yu Wing Keung, Dicky	**–**	–	**700,000**	700,000
Chow Kin Wa	**–**	–	**700,000**	700,000
Novowell ETP Limited (Note 2)				
Yu Wing Keung, Dicky	**–**	–	**2,000,454##**	–
Chow Kin Wa	**–**	–	**2,000,454##**	–
Qiang Hua (Shanghai) Trading Limited				
Yu Wing Keung, Dicky	**–**	–	**16,000,000***	16,000,000*
Chow Kin Wa	**–**	–	**16,000,000***	16,000,000*
Hua Qiang (Shanghai) Trading Limited				
Yu Wing Keung, Dicky	**–**	–	**4,000,000***	4,000,000*
Chow Kin Wa	**–**	–	**4,000,000***	4,000,000*

* Represents capital injected in RMB
\## Represents capital injected in USD

Note 1: Novo Commodities Private Limited became a wholly owned subsidiary during the year.

Note 2: Being a joint venture company incorporated on 17 March 2011 with limited liability.

Directors' interests in shares and debentures (Continued)

(a) Disclosure under Singapore Law (Continued)

(iii) In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors state that, save as disclosed above, according to the register of the Directors' shareholdings, the Directors' interests as at 21 May 2011 in the shares of the Company have not changed from those disclosed as at 30 April 2011.

(b) Disclosure under Hong Kong Law

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at 30 April 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong (the "**SFO**")), which were required to be notified to the Company and the SEHK, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") or which were required to be entered in the register required to be kept under Section 352 of the SFO were as follows:

Name of Directors	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
Yu Wing Keung, Dicky	Long	Interest in a controlled corporation (Note 2)	117,143,750	68.58
	Long	Beneficial owner	8,271,531	4.84
			125,415,281	73.42
Chow Kin Wa	Long	Beneficial owner	2,468,156	1.45
Foo Teck Leong	Long	Beneficial owner	17,500	0.01

Note 1: As at 30 April 2011, the Company had 170,804,269 ordinary shares in issue.

Note 2: The 117,143,750 shares are owned by New Page Investments Limited, a holding company of the Company, which is owned as to 70% by Mr. Yu Wing Keung, Dicky and as to 30% by Mr. Chow Kin Wa. By virtue of Part XV of the SFO, Mr. Yu is deemed to be interested in all the shares owned by New Page Investments Limited.

Directors' interests in shares and debentures (Continued)

Save as disclosed above, as at 30 April 2011, none of the Company's Directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to the Model Code or which were required to be entered in the register required to be kept under Section 352 of the SFO.

Interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Company

As at 30 April 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
New Page Investments Limited	Long	Beneficial owner	117,143,750	68.58
Ma Sau Ching, Tailianna (Note)	Long	Interests in a controlled corporation held by the spouse	117,143,750	68.58
		Interest held by the spouse	8,271,531	4.84
			125,415,281	73.42

Note: Ms. Ma Sau Ching, Tailianna is the spouse of Mr. Yu Wing Keung, Dicky, an executive Director of the Company. According to the SFO, Ms. Ma is deemed to have interests in the 125,415,281 shares of the Company in which Mr. Yu has interests.

Save as disclosed above, as at 30 April 2011, no person, other than the Directors and chief executives of the Company, whose interests are set out in the Section "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' contractual benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the consolidated financial statements.

Pre-emptive rights

The exercise of pre-emptive rights is subject to certain provisions under the Company's Articles of Association.

Directors' interests in competing business

During the year and up to the date of this annual report, none of the Directors has any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Share option

The Group has no share option scheme as at the date of this Annual Report.

Audit Committee

The Audit Committee consists of three members, all are independent non-executive Directors. During the financial year and at the date of this report, the Audit Committee comprises the following members:

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

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Companies Act, the HK Listing Rule and the Code of Corporate Governance, including the following:

(i) reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

(ii) reviews the year ended financial statements of the Company and of the Group before their submission to the Directors of the Company and the external auditor's report thereon;

(iii) reviews the quarterly/half year results announcements of the Group before their submission to the Board;

(iv) makes recommendations to the Board on the appointment of external and internal auditors; and

(v) reviews interested person transactions as defined in Chapter 9 of the Listing Manual of the SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The Audit Committee, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit Committee has recommended to the Board the nomination of Baker Tilly TFW LLP, for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

On 1 September 2010, the independent auditor of the Company, Baker Tilly TFWLCL, had converted to Baker Tilly TFW LLP, an accounting limited liability partnership. Baker Tilly TFW LLP has expressed its willingness to accept re-appointment as independent auditor of the Company.

Sufficient public float

Based on information that is publicly available to the Company and with the knowledge of the Directors, the Company had maintained sufficient public float of at least 25% of the Company's total issued share capital as of 30 April 2011.

On behalf of the Directors

Yu Wing Keung, Dicky
Director

Chow Kin Wa
Director

15 July 2011

Statement by Directors

In the opinion of the Directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 43 to 104 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 April 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Yu Wing Keung, Dicky
Director

Chow Kin Wa
Director

15 July 2011

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NOVO GROUP LTD.
(Incorporated in Singapore)

Report on the Financial Statements

We have audited the accompanying financial statements of Novo Group Ltd. (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 43 to 104, which comprise the statements of financial position of the Group and the Company as at 30 April 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 30 April 2011 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP
Public Accountants and
Certified Public Accountants
Singapore

15 July 2011

Consolidated Income Statement

For the Financial Year Ended 30 April 2011

	Note	2011 US$	2010 US$
Revenue	5	**501,605,557**	403,023,420
Cost of sales		**(467,681,826)**	(347,332,201)
Gross profit		**33,923,731**	55,691,219
Other income	6	**2,620,816**	4,052,324
Distribution and selling expenses	7	**(23,848,809)**	(39,592,434)
Administrative expenses		**(6,721,432)**	(5,594,621)
Other operating expenses		**(235,228)**	276,214
Finance costs	8	**(1,034,542)**	(1,072,572)
Share of results of associated companies		**46,012**	(52,568)
Profit before tax	9	**4,750,548**	13,707,562
Income tax	11	**(297,829)**	(1,691,231)
Profit for the financial year		**4,452,719**	12,016,331
Attributable to:			
Owners of the Company	12	**4,520,933**	11,775,484
Non-controlling interests		**(68,214)**	240,847
		4,452,719	12,016,331
			(Restated)
Earnings per share (in cents)			
Basic	13	**2.65**	7.61
Diluted	13	**2.65**	7.61

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 30 April 2011

	2011 US$	2010 US$
Profit for the financial year	**4,452,719**	12,016,331
Other comprehensive income:		
Currency translation differences on consolidation	**327,609**	4,030
Other comprehensive income for the financial year, net of tax	**327,609**	4,030
Total comprehensive income for the financial year	**4,780,328**	12,020,361
Attributable to:		
Owners of the Company	**4,817,401**	11,778,174
Non-controlling interests	**(37,073)**	242,187
	4,780,328	12,020,361

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

As At 30 April 2011

		Group			Company	
		30.4.2011	30.4.2010 (Restated)	1.5.2009 (Restated)	30.4.2011	30.4.2010
	Note	US$	US$	US$	US$	US$
Non-current assets						
Property, plant and equipment	14	**9,818,297**	7,624,809	1,499,567	**–**	–
Investment in associated companies	15	**509,734**	463,722	26,290	**–**	–
Investment in subsidiaries	16	**–**	–	–	**79,588,416**	79,588,416
		10,328,031	8,088,531	1,525,857	**79,588,416**	79,588,416
Current assets						
Inventories	17	**19,347,103**	26,527,884	–	**–**	–
Receivables	18	**35,599,421**	24,679,502	37,310,932	**34,490,542**	33,973,595
Tax recoverable		**11,571**	–	200,134	**–**	–
Cash and bank balances	19	**35,828,192**	32,012,461	20,960,351	**332,464**	1,864,706
		90,786,287	83,219,847	58,471,417	**34,823,006**	35,838,301
Total assets		**101,114,318**	91,308,378	59,997,274	**114,411,422**	115,426,717
Non-current liabilities						
Deferred income	20	**183,675**	178,768	–	**–**	–
Current liabilities						
Payables	21	**20,238,410**	14,523,305	19,551,190	**117,241**	102,852
Deferred income	20	**3,867**	3,686	–	**–**	–
Borrowings (secured)	22	**18,076,464**	13,905,082	–	**–**	–
Tax payable		**306,998**	1,421,901	71,247	**3,125**	5,933
		38,625,739	29,853,974	19,622,437	**120,366**	108,785
Total liabilities		**38,809,414**	30,032,742	19,622,437	**120,366**	108,785
Net assets		**62,304,904**	61,275,636	40,374,837	**114,291,056**	115,317,932
Equity						
Share capital	23	**32,238,531**	32,238,531	24,013,831	**108,739,451**	108,739,451
Treasury shares	24	**–**	–	(1,990,536)	**–**	–
Retained earnings		**26,015,552**	25,335,618	17,771,441	**2,950,644**	3,977,520
Foreign currency translation reserve		**298,827**	2,359	(331)	**–**	–
Other reserve	25	**2,600,961**	2,600,961	–	**2,600,961**	2,600,961
Equity attributable to owners of the Company, total		**61,153,871**	60,177,469	39,794,405	**114,291,056**	115,317,932
Non-controlling interests		**1,151,033**	1,098,167	580,432	**–**	–
Total equity		**62,304,904**	61,275,636	40,374,837	**114,291,056**	115,317,932

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the Financial Year Ended 30 April 2011

Group	Note	Share capital US$	Treasury shares US$	Retained earnings US$	Foreign currency translation reserve US$	Other reserve US$	Equity attributable to owners of the Company US$	Non-controlling interests US$	Total US$
Balance at 1 May 2009		24,013,831	(1,990,536)	17,771,441	(331)	–	39,794,405	580,432	40,374,837
Profit for the year		–	–	11,775,484	–	–	11,775,484	240,847	12,016,331
Other comprehensive income									
Currency translation difference on consolidation		–	–	–	2,690	–	2,690	1,340	4,030
Other comprehensive income for the financial year, net of tax		–	–	–	2,690	–	2,690	1,340	4,030
Total comprehensive income for the financial year		–	–	11,775,484	2,690	–	11,778,174	242,187	12,020,361
Contributions by and distributions to owners of the Company									
Acquisition of treasury shares	24	–	(1,144,469)	–	–	–	(1,144,469)	–	(1,144,469)
Disposal of treasury shares	24	–	3,135,005	–	–	2,600,961	5,735,966	–	5,735,966
Issue of shares pursuant to the Placement Agreement (net)	23(a)	8,224,700	–	–	–	–	8,224,700	–	8,224,700
Dividend paid	26	–	–	(4,211,307)	–	–	(4,211,307)	–	(4,211,307)
Total contributions by and distributions to owners of the Company		8,224,700	1,990,536	(4,211,307)	–	2,600,961	8,604,890	–	8,604,890
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests with a change in control		–	–	–	–	–	–	262,079	262,079
Disposal of a non-controlling interest with a change in control		–	–	–	–	–	–	13,469	13,469
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	275,548	275,548
Total transactions with owners of the Company, recognised directly in equity		8,224,700	1,990,536	(4,211,307)	–	2,600,961	8,604,890	275,548	8,880,438
Balance at 30 April 2010		32,238,531	–	25,335,618	2,359	2,600,961	60,177,469	1,098,167	61,275,636

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity (cont'd)

For the Financial Year Ended 30 April 2011

Group	Note	Share capital US$	Retained earnings US$	Foreign currency translation reserve US$	Other reserve US$	Equity attributable to owners of the Company US$	Non-controlling interests US$	Total US$
Balance at 1 May 2010		32,238,531	25,335,618	2,359	2,600,961	60,177,469	1,098,167	61,275,636
Profit for the year		–	4,520,933	–	–	4,520,933	(68,214)	4,452,719
Other comprehensive income								
Currency translation differences on consolidation		–	–	296,468	–	296,468	31,141	327,609
Other comprehensive income for the financial year, net of tax		–	–	296,468	–	296,468	31,141	327,609
Total comprehensive income for the financial year		–	4,520,933	296,468	–	4,817,401	(37,073)	4,780,328
Contributions by and distributions to owners of the Company								
Dividend paid	26	–	(3,844,067)	–	–	(3,844,067)	–	(3,844,067)
Total contributions by and distributions to owners of the Company		–	(3,844,067)	–	–	(3,844,067)	–	(3,844,067)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests with a change in control		–	3,068	–	–	3,068	89,939	93,007
Total changes in ownership interests in subsidiaries		–	3,068	–	–	3,068	89,939	93,007
Total transactions with owners of the Company, recognised directly in equity		–	(3,840,999)	–	–	(3,840,999)	89,939	(3,751,060)
Balance at 30 April 2011		**32,238,531**	**26,015,552**	**298,827**	**2,600,961**	**61,153,871**	**1,151,033**	**62,304,904**

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity (cont'd)

For the Financial Year Ended 30 April 2011

Company	Note	Share capital US$	Treasury shares US$	Retained earnings US$	Other reserve US$	Total US$
Balance at 1 May 2009		100,514,751	(1,990,536)	2,950,635	–	101,474,850
Profit for the financial year		–	–	5,238,192	–	5,238,192
Contributions by and distributions to owners of the Company						
Acquisition of treasury shares	24	–	(1,144,469)	–	–	(1,144,469)
Disposal of treasury shares	24	–	3,135,005	–	2,600,961	5,735,966
Issue of shares pursuant to the Placement Agreement (net)	23(a)	8,224,700	–	–	–	8,224,700
Dividend paid	26	–	–	(4,211,307)	–	(4,211,307)
Total contributions by and distributions to owners of the Company		8,224,700	1,990,536	(4,211,307)	2,600,961	8,604,890
Total transactions with owners of the Company, recognised directly in equity		8,224,700	1,990,536	(4,211,307)	2,600,961	8,604,890
Balance at 30 April 2010		108,739,451	–	3,977,520	2,600,961	115,317,932
Profit for the financial year		–	–	2,817,191	–	2,817,191
Contributions by and distributions to owners of the Company						
Dividend paid	26	–	–	(3,844,067)	–	(3,844,067)
Total contributions by and distributions to owners of the Company		–	–	(3,844,067)	–	(3,844,067)
Total transactions with owners of the Company, recognised directly in equity		–	–	(3,844,067)	–	(3,844,067)
Balance at 30 April 2011		**108,739,451**	**–**	**2,950,644**	**2,600,961**	**114,291,056**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 30 April 2011

	Note	2011 US$	2010 US$
Cash flows from operating activities			
Profit before tax		**4,750,548**	13,707,562
Adjustments for:			
Amortisation of deferred income		**(3,767)**	(921)
Fair value loss on derivative financial instruments		**–**	24,176
Depreciation of property, plant and equipment		**298,990**	140,285
Loss on disposal of property, plant and equipment		**1,546**	–
Interest expense		**578,913**	435,267
Interest income		**(18,265)**	(23,753)
Share of results of associated companies		**(46,012)**	52,568
Gain on disposal of a subsidiary	19C	**–**	(1,271)
Written off of prepayment		**135,000**	–
Operating cash flows before movements in working capital		**5,696,953**	14,333,913
Inventories		**7,180,781**	(26,527,884)
Receivables		**(11,054,919)**	12,607,960
Payables		**6,741,679**	(6,367,325)
Currency translation difference		**(292,094)**	(99,576)
Cash generated from/(used in) operations		**8,272,400**	(6,052,912)
Income tax paid		**(1,416,201)**	(122,964)
Interest income received		**18,265**	23,753
Net cash generated from/(used in) operating activities		**6,874,464**	(6,152,123)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**231**	–
Purchase of property, plant and equipment	19D	**(2,412,104)**	(6,081,785)
Acquisition of additional interest in a subsidiary, net of cash acquired	19A	**(12,745)**	–
Acquisition of a subsidiary, net of cash acquired	19B	**–**	47,013
Disposal of a subsidiary, net of cash disposed	19C	**–**	(47,418)
Investment in an associated company		**–**	(490,000)
Net cash used in investing activities		**(2,424,618)**	(6,572,190)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows (cont'd)

For the Financial Year Ended 30 April 2011

	Note	2011 US$	2010 US$
Cash flows from financing activities			
Acquisition of treasury shares	24	–	(1,144,469)
Advances (to)/from directors		(738,247)	738,247
Advances (to)/from non-controlling shareholders		(288,630)	602,732
Dividend paid		(3,844,067)	(4,211,307)
Decrease/(increase) in fixed deposits and cash pledged		10,883,732	(14,896,811)
Proceeds from disposal of treasury shares		–	5,735,966
Net proceeds from short term borrowings		2,667,024	9,960,225
Drawdown of bank loans		5,694,300	4,957,652
Repayment of bank loans		(4,238,182)	(1,012,796)
Interest expense paid		(578,913)	(435,267)
Net proceeds from shares issued		–	8,224,700
Capital injection by non-controlling shareholders		105,752	274,980
Net cash from financing activities		9,662,769	8,793,852
Net increase/(decrease) in cash and cash equivalents		14,112,615	(3,930,461)
Cash and cash equivalents at beginning of financial year		13,047,929	16,892,630
Effect of currency translation on cash and cash equivalents		586,848	85,760
Cash and cash equivalents at end of financial year	19	27,747,392	13,047,929

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Novo Group Ltd. (the "**Company**") (Co. Reg. No. 198902648H) is incorporated and domiciled in Singapore and is dual primary listed on the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited. The holding company is New Page Investments Limited, incorporated in British Virgin Islands.

The address of its registered office is at 20 Harbour Drive #05-01 PSA Vista, Singapore 117612.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are set out in Note 16 to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements (expressed in United States Dollars ("**USD**" or "**US$**") which is the Company's functional and presentation currency), have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("**FRS**"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and bank balances, trade and other current receivables and payables and borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("**INT FRS**") that are relevant to its operations and effective for the current financial year.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

The adoption of these new/revised FRSs has no material effect on the financial statements except for the adoption of the following new/revised FRS which are relevant to the Group:

(i) *FRS 103 (revised) Business Combinations*

(effective for annual periods beginning on or after 1 July 2009)

The Group adopted the revised standard on 1 May 2010 and the revised accounting policy on business combinations.

Changes in significant accounting policies resulting from the adoption of the revised FRS 103 are summarised as follows:

– Acquisition-related transactions costs would no longer be capitalised as part of the cost of acquisition but will be expensed in profit or loss when incurred;

– Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but in profit or loss;

– The Group elects for each acquisition of a business, to measure non-controlling interest at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

– When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

The effects of the adoption of the revised FRS 103 on the Group's consolidated financial statements relating to acquisition of subsidiaries are insignificant and are not disclosed.

(ii) *FRS 27 (revised) Consolidated and Separate Financial Statements*

(effective for annual periods beginning on or after 1 July 2009)

The Group adopted the revisions to FRS 27 on 1 May 2010. Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

– A change in the ownership interest of a subsidiary that does not result in loss of control is accounted for as equity transactions. Such change will not have any impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

– Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

– When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

As the changes have been implemented prospectively in accordance with the standard's transitional provisions, the adoption of the revised standard did not require any adjustments to any amounts previously recognised in the financial statements.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

International Accounting Standards (IAS 1)

The Company and the Group have also adopted the interpretations from the International Accounting Standards (IAS 1) on the clarification of a liability on current or non-current. The term loans which are subjected to review, recall, alter or cancel from time to time at the lender's discretion are classified under current liabilities.

At the end of the reporting period, the following FRSs and Interpretations of FRS ("**INT FRS**") were issued, revised or amended but not effective:

FRS 24	Related Party Disclosures
INT FRS 115	Agreements for the Construction of Real Estate
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments
Amendments to FRS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to FRS 101	Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters
Amendments to FRS 101	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 107	Disclosures – Transfer of Financial Assets
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement
Improvements to FRSs 2010 project	

The Group anticipates that the adoption of these FRSs and INT FRSs (where applicable) in future periods will have no material impact on the financial statements of the Company and the consolidated financial statements of the Group, except for FRS 24 Related Party Disclosure as indicated below:

FRS 24 (revised) Related Party Disclosure

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group and the Company when implemented in 2012.

(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 such 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 has control over another entity.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Subsidiaries are 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.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(e). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the owners of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if the subsidiary incurred losses and the losses allocated exceed the non-controlling interests in the subsidiary's equity.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. Summary of significant accounting policies (Continued)

(c) Basis of consolidation (Continued)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners).

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

(d) Associated companies

An associated company 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 is not control or joint control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the 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 acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. Summary of significant accounting policies (Continued)

(d) Associated companies (Continued)

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss. On disposal of investment in associates, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(e) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or 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, or 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 subsequent periods.

On disposal of a subsidiary, associated company or a jointly controlled entity, the attributable amount of goodwill 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 2(d).

(f) Revenue and other operating income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods net of goods and services tax, 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 a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.
Interest income	–	on a time proportion basis using the effective interest method.
Charter income	–	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.

2. Summary of significant accounting policies (Continued)

(g) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, 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. All other borrowing costs are expensed in the period they occur.

(h) Defined contribution plans

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 separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

The employees in the People's Republic of China (the "**PRC**") are members of the retirement benefit scheme organised 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.

(i) Income taxes

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 directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

2. Summary of significant accounting policies (Continued)

(i) Income taxes (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred tax 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.

(j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

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.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of the property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	No. of years
Leasehold land and building	40 to 50 years
Furniture and equipment	5 to 20 years
Computer equipment	3 to 6 years
Motor vehicle	5 years
Renovation	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

2. Summary of significant accounting policies (Continued)

(j) Property, plant and equipment (Continued)

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 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 when the assets are ready for their intended use.

(k) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses 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.

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.

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 previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) Financial assets

(i) Classification

The Group classifies its financial assets according to the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

2. Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

(i) Classification (Continued)

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 end of the reporting period which are classified as non-current assets. Loans and receivables are classified within receivables and cash and bank balances on the statement of financial position.

(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 disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in 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, less impairment.

Interest income on financial assets are recognised separately in profit or loss.

(v) Impairment

The Group assesses at end of each reporting period 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 amounts previously written off are recognised against the same line item in profit or loss.

2. Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

(v) Impairment (Continued)

Loans and receivables (Continued)

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

(m) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(n) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction cost. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

(o) Share capital

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.

2. Summary of significant accounting policies (Continued)

(o) Share capital (Continued)

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 owners 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.

(p) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(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, which is the Company's functional and presentation currency.

(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 currency transaction reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. Summary of significant accounting policies (Continued)

(q) Foreign currencies (Continued)

(ii) Transactions and balances (Continued)

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 are translated at the closing rates at the end of the reporting period;

(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 taken to the foreign currency translation reserve within equity.

On consolidation, exchange 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 of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

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.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(r) Inventories

Inventories are stated 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 the costs of completion and selling expenses.

2. Summary of significant accounting policies (Continued)

(s) Operating leases

(i) When a group company is the lessee

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 a 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.

(ii) When a group company is the lessor

Lessees where the Group retains all the risks and rewards of ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term.

(t) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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 to a known amount of cash and are subject to an insignificant risk of changes in value.

(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) Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

(w) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decision. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

2. Summary of significant accounting policies (Continued)

(x) 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 statement of financial position 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.

3. 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 statements. 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 statements.

(i) Impairment of investments and financial assets

The Group follows the guidance of FRS 39 on 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.

The carrying amount of the Group's financial assets is disclosed in Note 30(a).

(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 as at 30 April 2011 was US$306,998 (2010: US$1,421,901).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 are 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 2011 was US$9,818,297 (2010: US$7,624,809).

4. Related party transactions

(a) In addition to information disclosed elsewhere in the consolidated financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

		Group	
		2011	2010
		US$	US$
Continuing			
Purchases of goods from an associated company (note 1)	(ii)	**3,524,659**	–
Sales of goods to related parties	(ii)	**2,743,625**	3,909,791
Purchases of goods from related parties	(ii)	**7,196,884**	3,283,108
Warehouse rental charges paid to related parties	(iii)	**407,138**	257,151
L/C agency fee paid to a related party	(iv)	**109,666**	–
Distribution agency fee paid to an associated company	(v)	**49,860**	–
Sales of goods to a non-controlling interest	(vi)	**–**	29,812
Purchases of goods from a non-controlling interest	(vi)	**–**	257,205
Discontinued			
Agency fees paid to an associated company	(vii)	**–**	326,825
Professional fees paid to a related party	(viii)	**–**	134,000
Purchase of motor vehicle from a director	(ix)	**–**	3,590
Service fees from an associated company	(x)	**–**	28,846
Sales of goods to a non-controlling interest	(xi)	**–**	73,134
Purchases of goods from a non-controlling interest	(xi)	**–**	1,896,558
Vessels rental income from a related party	(xii)	**–**	4,962,864
Vessels rental charges paid to a related party	(xii)	**–**	4,477,100
Other income from a related party	(xiii)	**–**	385,171
Office rental paid to a related party	(xiv)	**8,077**	10,385

4. Related party transactions (Continued)

(a) (Continued)

(i) Intra-group transactions that have been eliminated in the consolidated financial statements are not disclosed as related party transactions above.

(ii) Sales and purchases of goods to and from related parties and associated company related to the trading of steel products. All trading transactions are made at similar terms as the Group grants to other independent third parties.

(iii) Charges paid to related parties for leasing warehouses for daily operation of the Group.

(iv) Agency fee 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.

(v) Distribution agency fee paid to an associated company for conducting business activities. The charge rate was US$10 per tonne of actual quantity shipped.

(vi) Sales and purchases of goods to and from a non-controlling interest to the trading of steel products. All trading transactions were made at similar terms as the Group grants to other independent third parties.

(vii) Agency fees for arranging and opening letters of credit and banking facilities were charged by an associated company. The charge rate was US$2 per tonne of actual quantity shipped.

(viii) 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.

(ix) 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.

(x) General advice and consultancy services were rendered to an associated company, and charged at a monthly fee of HK$75,000 (equivalent to US$9,615). These services were terminated by all relevant parties effective from 1 August 2009.

(xi) Sales and purchases of goods to and from a non-controlling interest to the trading of steel products. All trading transactions were made at similar terms as the Group grants to other independent third parties.

(xii) Vessels rental income and rental charges paid to and from a related party. The transactions are made at similar terms as the Group grants to other independent third parties. No more such kind of transactions occurred following the expiry of term of the time charter agreements in April 2010.

(xiii) Other operating income and expenses, such as compensation and ballast bonus, to a related party under similar terms as the Group grants to other independent third parties. No more such kind of transactions occurred following the expiry of term of the time charter agreements in April 2010.

(xiv) Charges paid to a related party for leasing an office for daily operation of the Group. The lease was terminated effective from 5 December 2010.

Note 1:

Save as the above note 1, all related party transactions above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

4. Related party transactions (Continued)

(b) Compensation of directors and key management personnel of the Group:

	2011 US$	2010 US$
Directors' fee	**89,406**	61,257
Salaries and bonuses	**1,366,361**	1,709,884
Contributions to defined contribution plans	**25,082**	14,444
	1,480,849	1,785,585
Comprise amounts paid to:		
– Directors of the Company	**900,893**	1,378,581
– Other key management personnel	**579,956**	407,004
	1,480,849	1,785,585

Further details of the directors' remuneration are included in note 10 to these financial statements.

5. Revenue

	Group	
	2011 US$	2010 US$
Sales of steel products	**487,345,085**	388,087,008
Sales of coal	**14,260,472**	9,973,548
Charter of vessels	**–**	4,962,864
	501,605,557	403,023,420

6. Other income

	Group	
	2011 US$	2010 US$
Amortisation of deferred income (Note 20)	**3,767**	921
Ballast bonus	**–**	200,000
Gain on disposal of a subsidiary	**–**	1,271
Net compensation received	**2,227,153**	2,975,659
Rental income	**17,939**	12,731
Service fees received	**–**	28,846
Sundry income	**55,519**	699,341
Transportation income	**298,173**	109,802
	2,602,551	4,028,571
Bank interest income	**18,265**	23,753
Total	**2,620,816**	4,052,324

7. Distribution and selling expenses

	2011 US$	2010 US$
Bunker cost expensed off	–	408,486
Commission expenses	–	76,655
Compensation	40,761	104,346
Credit insurance	–	15,155
Cutting charges	–	12,346
Distribution agency fees	2,112,317	6,104,407
Freight charges	17,705,307	28,894,410
Freight insurance	193,865	150,481
I/E declaration	7,303	8,778
Inspection fee	238,355	189,040
LC agency fees	109,666	–
Port handling charges	1,488,128	2,026,755
Shipping handling charges	850,921	775,090
Storage insurance	11,665	829
Transportation charges	641,040	552,445
Warehouse charges	449,481	273,211
	23,848,809	39,592,434

8. Finance costs

	Group	
	2011 US$	2010 US$
Bank charges	455,629	637,305
Interest on bank loans	578,913	435,267
	1,034,542	1,072,572

9. Profit before tax

Profit before tax is determined after charging/(crediting):

	Group	
	2011	2010
	US$	US$
Auditors' remuneration	**125,999**	116,274
Non-audit fees paid to:		
– auditor of the Company	**6,747**	5,473
– other auditors	**263,225**	29,916
Depreciation of property, plant and equipment	**298,990**	140,285
Loss on disposal of property, plant and equipment	**1,546**	–
Material costs recognised as an expense in cost of sales	**460,501,045**	342,855,101
Operating lease expense – vessels	**–**	4,477,100
Pre-operating expenses	**1,067**	7,064
Rental expenses	**96,076**	90,414
Net exchange gains	**(1,208,456)**	(384,738)
(Gain)/loss on trading of derivative financial instruments	**(8,718)**	84,347
Fair value loss on derivative financial instruments	**–**	24,176
Jobs credit scheme grant	**–**	(12,923)
Staff costs (Note 10)	**3,694,059**	3,285,596
Written off of prepayment	**135,000**	–

10. Staff costs

	Group	
	2011	2010
	US$	US$
Staff cost (including directors' emoluments)		
– Salaries wages and other benefits	**3,559,870**	3,201,848
– Contribution to defined contribution plans	**134,189**	83,748
	3,694,059	3,285,596

10. Staff costs (Continued)

(a) Fees paid to independent non-executive Directors during the year were as follows:

	2011 US$	2010 US$
Tang Chi Loong	32,423	25,329
Foo Teck Leong	36,083	–
Tse To Chung Lawrence	10,384	–
Chua Keng Hiang (resigned on 27 August 2010)	10,516	31,600
Tan Siok Chin (resigned on 21 June 2009)	–	4,328
	89,406	61,257

There were no other emoluments payable to the independent non-executive Directors during the year ended 30 April 2011 and 30 April 2010.

(b) Remuneration of executive Directors

	Fees US$	Salaries and benefits in-kind US$	Defined contribution plans US$	Total remuneration US$
2011				
Yu Wing Keung Dicky	–	320,000	1,538	321,538
Chow Kin Wa	–	256,000	1,538	257,538
Chow Kin San	–	231,000	1,411	232,411
	–	807,000	4,487	811,487
2010				
Yu Wing Keung Dicky	–	836,773	1,539	838,312
Chow Kin Wa	–	477,474	1,538	479,012
	–	1,314,247	3,077	1,317,324

There were no arrangements under which a Director waived or agreed to waive any remuneration during the year ended 30 April 2011 and 2010.

During the year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. Staff costs (Continued)

(c) Five highest paid employees

The five highest paid employees in the Group for the year included three (2010: two) Directors, details of whose remuneration are set out in note (b) above. Details of the remaining two (2010: three) non-directors highest paid employees for the year are as follows:

	Group	
	2011	2010
	US$	US$
Salaries and bonus	**367,672**	288,891
Contribution to defined contribution plans	**3,077**	5,869
	370,749	294,760

The numbers of non-director, highest paid employees who remuneration fell within the following bands are as follows:

	Group	
	2011	2010
HKD1,500,000 to below HKD2,000,000	**1**	–
HKD1,000,000 to below HKD1,500,000	**1**	–
HKD500,000 to below HKD1,000,000	**–**	3
Below HKD500,000	**–**	–
	2	3

During the year, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Income tax

Tax expenses attributable to profits is made up of:

	Group	
	2011	2010
	US$	US$
Current tax – Singapore		
Charge for the year	**240,000**	48,755
(Over)/under provision in prior years	**(24,945)**	13,241
Current tax – Hong Kong		
Charge for the year	**–**	1,558,461
(Over)/under provision in prior years	**(6)**	10,037
Current tax – Others		
Charge for the year	**82,643**	60,737
Under provision in prior years	**137**	–
	297,829	1,691,231

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the applicable corporate income tax rate due to the following factors:

	2011	2010
	US$	US$
Profit before tax	**4,750,548**	13,707,562
(Less)/add back: Share of results of associated companies	**(46,012)**	52,568
	4,704,536	13,760,130
Tax at the domestic rates applicable to profits in the countries where the Group operates	**340,398**	1,579,704
Expenses not deductible for tax purpose	**287,935**	213,918
Income not subject to tax	**(193,514)**	(87,130)
Singapore statutory stepped exemption	**–**	(22,678)
Income subject to concessionary tax rate	**(133,698)**	–
(Over)/under provision of tax in prior years	**(24,814)**	23,278
Tax effect on temporary differences not recognised	**(429)**	(24,863)
Utilisation of previously unrecognised tax losses	**(61,117)**	–
Tax effect of unused tax losses not recognised	**99,540**	11,289
Others	**(16,472)**	(2,287)
	297,829	1,691,231

11. Income tax (Continued)

Pursuant to the Income Tax Act of Singapore, Singapore-incorporated members of the Group are subjected to statutory income tax rate of 17% (2010: 17%).

A subsidiary of the Company, Novo Commodities Pte. Ltd., was awarded the Global Trader Programme status 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%. During the financial year, the subsidiary had withdrawn from the Global Trader Programme.

Pursuant to Inland Revenue Ordinance of Hong Kong, members of the Group which are incorporated in Hong Kong are subjected to statutory income tax rate of 16.5% (2010: 16.5%).

Pursuant to the Corporate Income Tax Law of the People's Republic of China (PRC), members of the Group which are incorporated in PRC are subjected to statutory income tax rate of 25% (2010: 25%).

Members of the Group incorporated under the International Business Companies Act of the British Virgin Islands ("**BVI**") and Dubai Multi Commodities Centre Company Regulations of Dubai United Arab Emirates are exempted from payment of income taxes.

Unrecognised deferred tax assets

At the end of the reporting period, the Group has unrecognised tax losses of US$688,000 (2010: US$450,000) that are available for carry forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax asset of US$114,000 (2010: US$76,000) has not been recognised in respect of these tax losses as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$39,000 (2010: US$18,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 30 April 2011 includes a profit of US$2,817,191 (2010: US$5,238,192) which has been dealt with in the Financial Information of the Company.

13. Earnings per share

Basic and diluted earnings per share is calculated based on the Group's profit for the financial year attributable to the owners of the Company divided by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2011 US$	2010 US$
Profit attributable to owners of the Company	**4,520,933**	11,775,484

	Number of shares	
	'000	'000
Weighted average number of ordinary shares (excluding treasury shares)	**170,804**	154,712

Due to the share consolidation as disclosed in Note 23(b), the weighted average number of ordinary shares for the financial year 2010 were adjusted as if the share consolidation had been effected at the beginning of the preceding financial year.

14. Property, plant and equipment

Group	Leasehold land and building US$	Furniture and equipment US$	Computer equipment US$	Motor vehicles US$	Renovation US$	Construction work in progress US$	Total US$
2011							
Cost							
At 1.5.2010	6,954,465	31,338	69,956	329,865	71,952	463,788	7,921,364
Additions	–	37,433	16,622	416,060	57,295	1,884,694	2,412,104
Disposal	–	(5,478)	–	–	–	–	(5,478)
Exchange realignment	56,289	139	190	5,527	–	22,763	84,908
At 30.4.2011	7,010,754	63,432	86,768	751,452	129,247	2,371,245	10,412,898
Accumulated depreciation							
At 1.5.2010	146,270	11,979	24,072	73,990	40,244	–	296,555
Charge for the year	154,114	9,356	15,972	97,454	22,094	–	298,990
Disposal	–	(3,701)	–	–	–	–	(3,701)
Exchange realignment	1,183	37	46	1,491	–	–	2,757
At 30.4.2011	301,567	17,671	40,090	172,935	62,338	–	594,601
Net carrying value							
At 30.4.2011	6,709,187	45,761	46,678	578,517	66,909	2,371,245	9,818,297

14. Property, plant and equipment (Continued)

Group	Leasehold land and building US$	Furniture and equipment US$	Computer equipment US$	Motor vehicles US$	Renovation US$	Construction work in progress US$	Total US$
2010							
Cost							
At 1.5.2009	1,369,974	22,840	37,212	154,048	71,632	–	1,655,706
Additions	5,584,491	8,314	32,430	175,817	320	463,788	6,265,160
Exchange realignment	–	184	314	–	–	–	498
At 30.4.2010	6,954,465	31,338	69,956	329,865	71,952	463,788	7,921,364
Accumulated depreciation							
At 1.5.2009	87,335	6,847	11,271	24,773	25,913	–	156,139
Charge for the year	58,917	5,117	12,723	49,197	14,331	–	140,285
Exchange realignment	18	15	78	20	–	–	131
At 30.4.2010	146,270	11,979	24,072	73,990	40,244	–	296,555
Net carrying value							
At 30.4.2010	6,808,195	19,359	45,884	255,875	31,708	463,788	7,624,809

Additions of property, plant and equipment totalling Nil (2010: US$183,375) are funded by Tianjin Economic Technological Development Area (TEDA) Construction Development Bureau (See Note 20).

At the end of the reporting period, property, plant and equipment with the following carrying amount were pledged to certain banks for banking facilities (Note 22):

	Group	
	2011 US$	2010 US$
Leasehold land and building	**5,542,089**	5,672,760

The analysis of carrying value of leasehold land and buildings is as follows:

	Group	
	2011 US$	2010 US$
Long leasehold land and building in Hong Kong	**5,542,089**	5,672,760
Long leasehold land in Tianjin, PRC	**1,167,098**	1,135,435
	6,709,187	6,808,195

15. Investment in associated companies

The following information relates to the associated companies:

Name of company	Principal activities	Particulars of issued and paid-up capital	Country of incorporation and place of business	Percentage of equity held by the Group 2011 %	2010 %
Held by Global Wealth Trading Limited					
Rico Group Limited[#]	Investment holding	100 ordinary shares of US$1 each	British Virgin Islands	**30**	30
Novostal Pte. Ltd.[@]	Trading and investment	2,000,000 ordinary shares at SGD1 each	Singapore	**30**	30
Held by Rico Group Limited					
Novostal Limited[@@]	Trading and investment	15,600,000 ordinary shares of HKD1 each	Hong Kong	**30**	30
Held by Novo Commodities PTE Ltd.					
POS-SEA Pte. Ltd. [@@@]	Procurement of steel products and materials	2,000,000 ordinary shares at US$1 each	Singapore	**24.5**	24.5

\# not required to be audited in the country of incorporation

@ audited by Tan, Teo & Partners PAC

@@ audited by Shom & Yu CPA Limited

@@@ audited by Uhy Lee Seng Chan & Co

The summarised financial information of the Group's associated companies, which is not adjusted for the percentage of ownership interest held by the Group, are as follows:

	2011 US$	2010 US$
Revenue	**48,539,299**	16,738,990
Loss after tax	**(512,016)**	(336,208)
Total assets	**3,314,528**	5,791,125
Total liabilities	**(3,912,807)**	(5,880,351)

The Group has not recognised losses amounting to US$551,805 (2010: US$508,617) for Rico Group Limited, US$252,562 (2010: US$85,804) for Novostal Pte Ltd because the Group's share of losses has exceeded its interests in these associated companies. The accumulated losses not recognised as at 30 April 2011 is US$804,367 (2010: US$594,421).

16. Investment in subsidiaries

	Group	
	2011	2010
	US$	US$
Unquoted equity shares, at cost	**79,588,416**	79,588,416

(a) Details of subsidiaries are as follows:

Name of companies	Country of incorporation	Particulars of issued and paid-up capital	Principal activities	Percentage of effective equity held by Group 2011	2010
				%	%
Held by the Company					
Novo Commodities Limited**	Hong Kong	8,000,000 ordinary shares of HKD1 each	Trading and investment	**100**	100
Nova Maritime (B.V.I.) Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Shipping brokerage	**100**	100
Novo Overseas Holdings Pte. Ltd.*	Singapore	200,000 ordinary shares at SGD1 each	Investment holdings	**100**	100
Novo Commodities Pte. Ltd.*	Singapore	200,000 ordinary shares at SGD1 each	Trading and investment	**100**	100
Global Wealth Trading Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Investment holding	**100**	100
Novo Commodities Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Trading and investment	**100**	100
Novo Development Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Investment holding	**100**	100
Iron Shipping Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Shipping brokerage	**100**	100
Novo Resources Limited**	Hong Kong	1,000,000 ordinary shares of HKD1 each	Trading and investment	**100**	100

16. Investment in subsidiaries (Continued)

(a) Details of subsidiaries are as follows: (Continued)

Name of companies	Country of incorporation	Particulars of issued and paid-up capital	Principal activities	Percentage of effective equity held by Group 2011	2010
				%	%
Held by Novo Commodities Limited (Hong Kong)					
Novo Commodities Private Limited[@]	India	100,000 ordinary shares of Rupee 10 each	Trading and investment	**100**	51
Held by Global Wealth Trading Limited					
Xinghua Holdings Limited[#]	British Virgin Islands	50,000 ordinary shares of US$20 each	Investment holding	**100**	100
Qiang Hua Trading Limited[@@]	Hong Kong	10 ordinary shares of HKD1 each	Trading and investment	**100**	100
Held by Novo Development Limited (BVI)					
Novo Development Limited[@@]	Hong Kong	10 ordinary shares of US$1 each	Trading and investment	**100**	100
Held by Xinghua Holdings Limited					
Novo Iron Ore Limited[@@]	Hong Kong	10 ordinary shares of HKD1 each	Trading and investment	**100**	100
Held by Qiang Hua Trading Limited					
Qiang Hua (Shanghai) Trading Limited[@^^]	People's Republic of China	RMB20,000,000	Trading and investment	**80**	80
Held by Novo Development Limited					
Novo Development (Tianjin) Limited[@^]	People's Republic of China	US$2,285,961	Process and sales of steel and metal products	**100**	100

16. Investment in subsidiaries (Continued)

(a) Details of subsidiaries are as follows: (Continued)

Name of companies	Country of incorporation	Particulars of issued and paid-up capital	Principal activities	Percentage of effective equity held by Group 2011	2010
				%	%
Held by Novo Overseas Holdings Pte. Ltd.					
Novosteel DMCC***	United Arab Emirates	100 ordinary shares of AED2,000 each	Trading and investment	100	100
Novo Commodities PTE Ltd#	British Virgin Islands	10 ordinary shares of US$1 each	Investment holding	100	100
Novo Steel Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Investment holding	100	100
Novo Resources Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Trading and investment	100	100
Novo Shipping Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Trading and investment	100	100
Novo Investment Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Investment holding	100	100
Novo ETP Limited#	British Virgin Islands	10 ordinary shares of US$1 each	Investment holding	100	–
Held by Novo Investment Limited (BVI)					
Novo Investment Limited**	Hong Kong	10,000 ordinary shares of HKD1 each	Consultancy services	100	100
Held by Novo Steel Limited (BVI)					
Novo Steel (HK) Limited**	Hong Kong	1,000,000 ordinary shares of HKD1 each	Trading and investment	51	51
Held by Novo Shipping Ltd (BVI)					
Eastern Bulk Pte. Ltd.*	Singapore	1,000,000 ordinary shares at SGD1 each	Shipping brokerage	70	70
Held by Qiang Hua (Shanghai) Trading Limited (PRC)					
Hua Qiang (Shanghai) Trading Limited@^^^	People's Republic of China	RMB5,000,000	Trading and investment	80	80

16. Investment in subsidiaries (Continued)

(a) Details of subsidiaries are as follows: (Continued)

Name of companies	Country of incorporation	Particulars of issued and paid-up capital	Principal activities	Percentage of effective equity held by Group 2011	2010
				%	%
Held by Novo ETP Limited (BVI)					
Novo ETP Limited##	Hong Kong	10,000 ordinary shares of HKD1 each	Trading and investment	100	–
Held by Novo ETP Limited (Hong Kong)					
Novowell ETP Limited##^^	People's Republic of China	US$2,105,741	Manufacturing and marketing	95	–

- * audited by Baker Tilly TFW LLP
- ** audited by Baker Tilly Hong Kong
- *** audited by Baker Tilly MKM Chartered Accountants
- @ audited by other Certified Public Accountants
- @@ audited by Shom & Yu CPA Limited
- # not required to be audited in the country of incorporation
- ## not required to be audited as the company was incorporated during the year
- ^ registered as a wholly-owned foreign enterprise under the PRC laws
- ^^ registered as a sino-foreign joint venture under the PRC laws
- ^^^ registered as a local enterprise under the PRC laws

(b) During the financial year, the Group incorporated the following new subsidiaries:

Name of Companies	Country of incorporation
Novo ETP Limited	British Virgin Islands
Novo ETP Limited	Hong Kong
Novowell ETP Limited	People's Republic of China

17. Inventories

	Group 2011 US$	2010 US$
Merchandise goods	19,347,103	26,527,884

The inventories with carrying amounts of US$6,060,030 (2010: US$7,154,900) have been pledged as securities for banking facilities granted to the Group (Note 22).

18. Receivables

	Group		Company	
	2011 US$	2010 US$	2011 US$	2010 US$
Advance payment to suppliers	9,300,806	3,877,047	–	–
Trade and bills receivables	17,428,130	10,006,164	–	–
	26,728,936	13,883,211	–	–
Dividend receivable from subsidiaries	–	–	1,400,000	2,600,000
Deposits	33,687	31,920	–	–
Temporary payment	129,695	288,933	–	–
Prepayments	1,101,059	809,775	38,337	204,515
Other receivables	4,328,555	3,933,956	19,331	31,897
Balances due from				
– subsidiaries	–	–	33,032,874	31,137,183
– associated companies	1,849,327	2,018,459	–	–
– related parties	985,477	2,557,204	–	–
– non-controlling shareholder	442,685	1,156,044	–	–
	8,870,485	10,796,291	34,490,542	33,973,595
	35,599,421	24,679,502	34,490,542	33,973,595

The receivables from subsidiaries, associated companies, related parties and non-controlling shareholders are unsecured, interest-free and repayable on demand.

Trade and bills receivables of US$9,477,396 (2010: US$2,424,684) are pledged to banks for banking facilities granted (Note 22).

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

	2011 US$	2010 US$
Current	16,964,760	8,065,031
Less than 1 month past due	432,474	1,475,045
1 to 3 months past due	24,755	289,658
3 to 12 months past due	6,141	176,430
Amount past due	463,370	1,941,133
	17,428,130	10,006,164

18. Receivables (Continued)

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 end of reporting period, the Group had no significant balances of trade and bills receivables that were past due but not impaired. The Directors 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.

Receivables denominated in currencies other than the functional currencies of the respective entities are as follows:

	Group		Company	
	2011 US$	2010 US$	**2011 US$**	2010 US$
Hong Kong Dollars ("**HKD**")	**817,648**	1,492,762	**22,329**	169,462
Singapore Dollars ("**SGD**")	**22,577**	77,623	**35,339**	57,186
Indian Rupee	**448**	–	**–**	–
UAE Dirham	**2,178**	9,502	**–**	4,084
Chinese Renminbi	**720**	(7,887)	**–**	–
Euro	**1,822,700**	–	**–**	–

19. Cash and bank balances

	Group		Company	
	2011 US$	2010 US$	**2011 US$**	2010 US$
Cash on hand and at bank (unpledged portion)	**27,747,392**	13,047,929	**332,464**	1,864,706
Cash on hand and at bank (pledged portion)	**390,446**	–	**–**	–
Fixed deposits (pledged)	**7,690,354**	18,964,532	**–**	–
	35,828,192	32,012,461	**332,464**	1,864,706
Less: cash on hand and at bank and fixed deposit under pledge	**(8,080,800)**	(18,964,532)		
Cash and cash equivalents as per consolidated statement of cash flows	**27,747,392**	13,047,929		

19. Cash and bank balances (Continued)

Group

As at year end, fixed deposits mature within 1 to 81 days (2010: 1 to 152 days) from the end of the reporting period, and have effective interest rates of 0.01% to 0.2% per annum (2010: 0.01% to 0.28% per annum).

The Group has pledged its fixed deposits and certain cash at bank to banks for banking facilities granted (Note 22).

The cash at bank at year end generally earns interest at rate 0.001% to 0.125% per annum (2010: 0.0001% to 0.125% per annum).

Cash and bank balances denominated in currencies other than the functional currencies of the respective entities are as follows:

	Group		Company	
	2011 US$	2010 US$	**2011 US$**	2010 US$
SGD	**9,045,969**	14,504,250	**301,808**	1,725,575
Euro	**282,070**	251,419	**–**	–
HKD	**148,572**	161,387	**747**	–
UAE Dirham	**23,127**	16,328	**–**	–
Indian Rupee	**12**	12	**–**	–
Australian Dollars	**59**	1,098	**–**	–
Chinese Renminbi	**3,176**	7,607	**–**	–
Macau Patacas	**254**	254	**–**	–
USD	**3,756,475**	410,740	**–**	–

19A. Acquisition of additional interest in a subsidiary

On 2 August 2010, the Group acquired from the non-controlling shareholders the remaining 49% equity interest in Novo Commodities Private Limited for a total consideration of US$12,745 which were satisfied by cash. Following the acquisition, Novo Commodities Private Limited became wholly-owned subsidiary of the Group.

The fair value of the identifiable assets and liabilities acquired as at the date of acquisition, which has no significant difference from the carrying amount, is as follows:

	2011 US$
Net assets acquired:	
Property, plant and equipment	**2,979**
Trade and other receivables	**104,715**
Cash and bank balances	**986**
Trade and other payables	**(87,171)**
Tax payable	**10,762**
	32,271
Interest previously held	**(16,458)**
Non-controlling interest	**15,813**
Difference arising on acquisition of additional interest in a subsidiary	**(3,068)**
	12,745
Satisfied by:	
Cash	**12,745**
Net cash inflow arising on acquisition:	
Cash consideration paid	**12,745**

19B. Acquisition of a subsidiary, net of cash acquired

On 12 January 2010, the Group acquired an additional 10% equity interest in an associated company, Iron and Steel Resources Limited, for a 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.

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 were as follows:

	2010 US$
Other receivables	1,824
Cash and bank balances	47,141
Trade and other payables	(77,635)
	(28,670)
Non-controlling interest	12,901
Goodwill on acquisition	15,897
Net assets acquired	128
Cash and cash equivalents of subsidiary acquired	47,141
Less: Total purchase consideration paid	(128)
Net cash inflow on acquisition of a subsidiary	47,013

19C. Disposal of a subsidiary, net of cash disposed

On 30 April 2010, the Group disposed of its 55% equity interest in a subsidiary, Iron and Steel Resources Limited, for a consideration of US$705 (equivalent to HKD5,500). The effect of the disposal was as follows:

	2010 US$
Net assets disposed of:	
Other receivables	1,119
Cash and bank balances	48,123
Trade and other payables	(79,174)
Non-controlling interest	13,469
Goodwill on acquisition	15,897
	(566)
Gain on disposal	1,271
Total disposal price	705
Less: Cash and cash equivalents of subsidiary disposed of	(48,123)
Net cash outflow on disposal of a subsidiary	(47,418)

19D. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of US$2,412,104 (2010: US$6,265,160) of which Nil (2010: US$183,375) are funded by Tianjin Economic Technological Development Area (TEDA) Construction Development Bureau. Cash payment of US$2,412,104 (2010: US$6,081,785) was made to purchase property, plant and equipment.

20. Deferred income

	Group	
	2011	2010
	US$	US$
Grant-related to assets		
Balance at beginning of financial year	**183,375**	–
Grant received during the year	**–**	183,375
Exchange realignment	**9,000**	–
Balance at end of financial year	**192,375**	183,375
Less: Accumulated amortisation		
Balance at beginning of financial year	**921**	–
Amortisation of grant for the year (Note 6)	**3,767**	921
Exchange realignment	**145**	–
Balance at end of financial year	**4,833**	921
Carrying amount	**187,542**	182,454
Represented by:		
Current liability	**3,867**	3,686
Non-current liability	**183,675**	178,768
	187,542	182,454

Grant represents infrastructure development grant received from Tianjin Economic Technological Development Area (TEDA) Construction Development Bureau to subsidise the set-up costs of a steel processing centre in Tianjin, PRC. The grant is amortised over the useful live of the property, plant and equipment which it is subsidising (Note 14).

21. Payables

	Group		Company	
	2011 US$	2010 US$	2011 US$	2010 US$
Trade and bills payable	5,883,832	11,919,382	–	–
Sales deposits received	11,827,610	436,359	–	–
Accrued operating expenses	1,289,755	674,206	117,168	99,482
Other payables	923,111	122,663	73	3,360
Balances due to				
– subsidiaries	–	–	–	10
– directors	–	738,247	–	–
– related party	–	29,716	–	–
– non-controlling shareholders	314,102	602,732	–	–
	14,354,578	2,603,923	117,241	102,852
	20,238,410	14,523,305	117,241	102,852

The securities for bills payable are disclosed in Note 22.

The amounts payable to subsidiaries, associated companies, related party, directors and non-controlling shareholders are unsecured, interest-free and repayable on demand.

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011 US$	2010 US$
0 to 3 months	5,795,265	11,710,367
3 to 6 months	–	163,045
6 to 12 months	–	–
Over 12 months	88,567	45,970
	5,883,832	11,919,382

21. Payables (Continued)

Payables denominated in currencies other than the functional currencies of the respective entities are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
USD	**423,283**	6,192,558	**–**	–
HKD	**69,229**	(579,819)	**31,064**	5,390
SGD	**123,800**	169,029	**86,177**	–
UAE Dirham	**–**	4,493	**–**	–
Chinese Renminbi	**7,695**	–	**–**	–

22. Borrowings (secured)

	Group		
	30 April 2011	30 April 2010 (Restated)	1 May 2009 (Restated)
	US$	US$	US$
Repayable within one year or on demand			
Bank loan 1	**2,602,063**	2,961,965	–
Short term bank loans	**2,847,150**	982,890	–
Inventory loan	**4,815,384**	4,700,000	–
Import bill loans	**1,039,136**	–	–
Trade receivables loans	**1,351,800**	–	–
Trust receipt loans	**5,420,931**	5,260,227	–
Total borrowings	**18,076,464**	13,905,082	–

Borrowings denominated in currency other than the functional currencies of the respective entities are as follows:

	Group		
	30 April 2011	30 April 2010	1 May 2009
	US$	US$	US$
USD	**8,344,526**	–	–
HKD	**2,602,063**	2,961,965	–

22. Borrowings (secured) (Continued)

The bank borrowings and bills payable are secured by:

i) legal pledge of the Group's leasehold land and buildings (Note 14);
ii) legal pledge on the Group's deposits and cash margin (Note 19);
iii) pledge of assets (cargo and related proceeds) underlying the financial transactions (Notes 17 and 18);
iv) corporate cross guarantees between subsidiaries when appropriate;
v) corporate cross guarantees between joint borrowers when appropriate; and
vi) corporate guarantees by the Company.

Pledge of assets

At the end of the reporting period, the Group has pledged the following assets to banks as securities against banking facilities granted to the Group:

	2011 **US$**	2010 US$
Leasehold land and buildings	**5,542,089**	5,672,760
Inventories	**6,060,030**	7,154,900
Trade and bills receivables	**9,477,396**	2,424,684
Cash on hand and at bank and fixed deposits	**8,080,800**	18,964,532
	29,160,315	34,216,876

The weighted average interest rates at the end of the reporting period are as follows:

	Group		
	30 April 2011 **%**	30 April 2010 %	1 May 2009 %
Bank loan 1	**1.09**	0.98	–
Short term bank loans	**5.96**	4.62	–
Import bills loans	**1.84**	–	–
Inventory loan	**2.77**	2.82	–
Trade receivables loans	**2.30**	–	–
Trust receipt loans	**2.33**	2.31	–

22. Borrowings (secured) (Continued)

The bank borrowings as at 30 April 2011 are repayable as follows:

- Bank loan 1 is repayable in 96 equal monthly instalments of US$32,561 (2010: US$32,417) each commencing 29 April 2010. The remaining instalments payable at the end of the reporting period is 83 (2010: 95) instalments. Notwithstanding to the above, term loan 1 is subjected to review, recall, alter or cancel from time to time at the lender's discretion. Accordingly, it is classified under current liabilities;
- Short term bank loans are repayable within 90 days to 165 days (2010: 167 days) from the date of drawdown;
- Import bills loans were repayable within 14 days (2010: Nil) from the grant date;
- Inventory loan is repayable within 90 to 150 days (2010: 90 days) from the commencement date;
- Trade receivables loans were repayable within 90 days (2010: Nil) from the commencement date; and
- Trust receipt loans are repayable within 60 days to 120 days (2010: 90 days) from the grant date.

23. Share capital

		Group		Company	
		No. of ordinary shares	US$	No. of ordinary shares	US$
Balance at 1 May 2009		631,378,640	24,013,831	631,378,640	100,514,751
Issue of shares pursuant to Placement Agreement (net)	(a)	51,841,000	8,224,700	51,841,000	8,224,700
Balance at 30 April 2010		683,219,640	32,238,531	683,219,640	108,739,451
Share consolidation	(b)	(512,415,371)	–	(512,415,371)	–
Balance at 30 April 2011		**170,804,269**	**32,238,531**	**170,804,269**	**108,739,451**

(a) On 21 January 2010, the Company issued and allotted 51,841,000 new ordinary shares at SGD0.23 each and incurred share placement expenses of US$271,935 pursuant to among others, the Placement Agreement.

(b) On 15 November 2010, the Company's ordinary shares have been consolidated on the basis that every four shares were consolidated into one consolidated share.

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.

24. Treasury shares

	Group and Company	
	No. of treasury shares	US$
Balance at 30 April 2009	23,280,000	1,990,536
Acquisition of treasury shares	12,879,000	1,144,469
Disposal of treasury shares	(36,159,000)	(3,135,005)
Balance at 30 April 2010 and 30 April 2011	**–**	**–**

During the financial year ended 30 April 2010, the Company acquired 12,879,000 shares in the Company through purchases on the SGX-ST. The total amount paid to acquire the shares was US$1,144,469 and this was presented as a component within shareholders' equity.

In the year 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 25).

25. Other reserve – non-distributable

This represents net gain on disposal of treasury shares.

26. Dividend paid

	Group	
	2011 US$	2010 US$
Final tax exempt (one-tier) dividend paid in respect of the financial year ended 30 April 2010 of 0.5 Singapore cents per share (30 April 2009: 0.5 Singapore cents)	**2,519,717**	2,090,537
Interim tax exempt (one-tier) dividend paid in respect of the financial year ended 30 April 2011 of 1.0 Singapore cents per consolidated share (30 April 2010: 0.5 Singapore cents per pre-consolidated share)	**1,324,350**	2,120,770
	3,844,067	4,211,307

At the forthcoming annual general meeting, the Directors will propose the payment of a final tax exempt (one-tier) dividend of 2.0 Singapore cents. These financial statements do 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 2012.

27. Commitments

(a) Capital commitments

Capital commitments not provided for in the financial statements:

	Group	
	2011 **US$**	2010 US$
Expenditure for property, plant and equipment contracted for	**1,386,108**	40,290
Expenditure for property, plant and equipment approved by the Directors but not contracted for	**–**	2,068,470
	1,386,108	2,108,760

(b) Operating lease commitments

The future aggregate minimum lease payments for office premises under non-cancellable operating lease at the end of the reporting period are as follows:

	Group	
	2011 **US$**	2010 US$
Not later than one financial year	**92,356**	91,143
Later than one financial year but not later than five financial years	**98,268**	7,097
	190,624	98,240

28. Contingent liabilities

Contingent liabilities not provided for in the financial statements of the Group and the Company at the end of the reporting period are as follows:

(a) Bills discounted with recourse

	Group	
	2011 **US$**	2010 US$
Discounted bills with recourse supported by letter of credit	**26,458,140**	20,165,164

(b) Guarantees

	Company	
	2011 **US$**	2010 US$
Corporate guarantees issued by the Company to banks in respect of banking facilities of subsidiaries	**478,721,986**	309,761,103

28. Contingent liabilities (Continued)

(b) Guarantees (Continued)

The Company has issued corporate guarantees to banks for bank 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.

29. 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 bank balances, current trade and other receivables, payables and borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The Group and the Company has no other financial instruments.

30. Financial instruments

(a) Categories of financial instruments

Financial assets and financial liabilities as at the end of the reporting period include the following:

	Group		Company	
	2011 US$	2010 US$	**2011 US$**	2010 US$
Loans and receivables				
Receivables	**25,197,556**	19,992,680	**34,452,205**	33,769,080
Cash and bank balances	**35,828,192**	32,012,461	**332,464**	1,864,706
Total loans and receivables	**61,025,748**	52,005,141	**34,784,669**	35,633,786
Financial liabilities at amortised cost				
Payables	**8,410,800**	14,086,946	**117,241**	102,852
Borrowings	**18,076,464**	13,905,082	**–**	–
Total financial liabilities at amortised cost	**26,487,264**	27,992,028	**117,241**	102,852

(b) Financial risk management

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 above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

30. Financial instruments (Continued)

(b) Financial risk management (Continued)

(i) 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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company 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 end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of loans and receivables recognised in the statement of financial positions and the amount of US$478,721,986 (2010: US$309,761,103) relating to corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances are placed with reputable financial institutions with good credit ratings and no history of default.

At the end of the reporting period, approximately:

- 76.8% (2010: 77.4%) of the Group's trade and bill receivables were due from 5 major customers; and
- 5.19% (2010: 8.18%) 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.

Analysis of trade and other receivables at the end of reporting period:

Not past due and not impaired

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 subsidiaries, associated companies and related parties are generally repayable on demand and no impairment loss is anticipated. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions or companies with good credit ratings and no history of default.

30. Financial instruments (Continued)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Past due but not impaired

The aged analysis of third parties trade and other receivables past due but not impaired are disclosed in Note 18.

Past due and impaired

There are no financial assets that are past due and impaired.

(ii) 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.

30. Financial instruments (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	2011				2010			
Group	Less than 1 year US$	1 to 5 years US$	More than 5 years US$	Total US$	Less than 1 year US$	1 to 5 years US$	More than 5 years US$	Total US$
Trade and other payables	8,410,800	–	–	8,410,800	14,086,946	–	–	14,086,946
Borrowings	15,977,637	1,562,928	749,160	18,289,725	11,405,482	1,556,011	1,134,842	14,096,335
	24,388,437	1,562,928	749,160	26,700,525	25,492,428	1,556,011	1,134,842	28,183,281

	2011				2010			
Company	Less than 1 year US$	1 to 5 years US$	More than 5 years US$	Total US$	Less than 1 year US$	1 to 5 years US$	More than 5 years US$	Total US$
Trade and other payables	117,241	–	–	117,241	102,852	–	–	102,852
Financial guarantee contracts	478,721,986	–	–	478,721,986	309,761,103	–	–	309,761,103
	478,839,227	–	–	478,839,227	309,863,955	–	–	309,863,955

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 end of the reporting period.

30. Financial instruments (Continued)

(b) Financial risk management (Continued)

(iii) 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 risk exposure.

As at the end of the reporting period, the profile of the Group's interest-bearing financial instruments are as follows:

	Group	
	2011	2010
	US$	US$
Fixed rate instruments		
Financial assets	**1,574,804**	18,964,533
Financial liabilities	**1,000,350**	982,890
Variable rate instruments		
Financial assets	**25,121,155**	11,881,794
Financial liabilities	**17,076,114**	12,922,192

Sensitivity analysis on interest rate risk is not disclosed as the impact of an increase/decrease of 50 basis points in interest rates is not expected to be significant.

The financial assets and financial liabilities of the Company are non-interest bearing.

(iv) Foreign currency risk

Currency rate risks arise from transactions denominated in currencies other than the respective functional currencies of the entities in the Group. 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, receivables, payables and borrowings. Approximately US$13,300,000 (2010: US$15,300,000) of cash and bank balances, US$2,600,000 (2010: US$960,000) of receivables, US$630,000 (2010: US$8,600,000) of payables and US$10,950,000 (2010: US$2,960,000) of borrowings are denominated in non-functional currencies.

30. Financial instruments (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

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 after tax.

	Group	
	Profit after tax	
	2011	2010
	US$	US$
HKD – strengthened 5% (2010: 5%)	**(87,064)**	(65,438)
– weakened 5% (2010: 5%)	**87,064**	65,438
SGD – strengthened 5% (2010: 5%)	**446,146**	719,378
– weakened 5% (2010: 5%)	**(446,146)**	(719,378)
Euro – strengthened 5% (2010: 5%)	**105,239**	12,571
– weakened 5% (2010: 5%)	**(105,239)**	(12,571)
USD – strengthened 5% (2010: 5%)	**(250,567)**	(289,091)
– weakened 5% (2010: 5%)	**250,567**	289,091

31. Capital management

The objective of the Group in managing its capital is to ensure the Group's ability to continue as a going concern and to maximise shareholders' values.

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 borrowing or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 30 April 2011 and 30 April 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loan and borrowings, trade and other payables, less cash and cash equivalents. Capital comprises share capital (less treasury shares) and retained earnings.

31. Capital management (Continued)

The Group is in compliance with all externally imposed capital requirements for the financial years ended 30 April 2011 and 2010.

	Group	
	2011	2010
	US$	US$
Borrowings	**18,076,464**	13,905,082
Trade and other payables	**20,238,410**	14,523,305
	38,314,874	28,428,387
Less: Cash and cash equivalents	**(27,747,392)**	(13,047,929)
Net debt	**10,567,482**	15,380,458
Equity attributable to owners of the Company	**61,153,871**	60,177,469
Capital and net debt	**71,721,353**	75,557,927
	2011	2010
	%	%
Gearing ratio	**15**	20

32. 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.

32. Segment information (Continued)

The segment information provided to management for the reportable segments are as follows:

Year ended 30 April 2011	Raw Materials US$	Semi-finished products US$	Finished products US$	Others US$	Total US$
Revenue	377,411,969	30,656,365	89,383,289	4,153,934	501,605,557
Segment results	11,262,257	(451,937)	3,134,590	161,197	14,106,107
Unallocated income					2,620,816
Unallocated costs					(10,987,845)
Finance costs					(1,034,542)
Share of losses of associated companies					46,012
Profit before income tax					4,750,548
Income tax					(297,829)
Net profit for the financial year					4,452,719
Assets and liabilities					
Unallocated assets					100,604,584
Investment in associated companies					509,734
Total assets					101,114,318
Unallocated liabilities					38,809,414
Total liabilities					38,809,414
Other segment items					
Capital expenditure					2,412,104
Depreciation					298,990
Non-cash items other than depreciation					132,779

32 Segment information (Continued)

Year ended 30 April 2010	Raw Material US$	Semi-finished products US$	Finished products US$	Others US$	Total US$
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 losses 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					140,285
Non-cash items other than depreciation					107,252

32. Segment information (Continued)

The Group has four reportable segments as follows:

Raw materials

– Distribution and sales of materials such as iron ores, pellets, scraps, 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 tinplate.

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.

Geographical information

The Group's operations are located in 4 main geographical areas. The following table provides an analysis of the Group's revenue and non-current assets by geographical markets, irrespective of the origin of the goods and services.

	Sales to external customers		Non-current assets	
	2011 US$	2010 US$	**2011 US$**	2010 US$
North Asia	**436,229,265**	286,418,253	**9,803,087**	7,600,465
South East Asia	**57,907,350**	116,503,127	**12,479**	21,099
India and Middle East	**3,383,500**	–	**2,731**	3,245
Others	**4,085,442**	102,040	**–**	–
	501,605,557	403,023,420	**9,818,297**	7,624,809
Investment in associated companies			**509,734**	463,722
			10,328,031	8,088,531

32. Segment information (Continued)

Geographical information (Continued)

Note:
(i) Included Hong Kong, Macau, the PRC, Taiwan and Korea etc.
(ii) Included Philippines, Singapore, Thailand, Indonesia, Vietnam and Brunei, etc.
(iii) Included India
(iv) Included Costa Rica, Italy and Dominican Republic, etc.

Information about major customer

Revenue of approximately US$90,383,000 (2010: US$76,840,000) are derived from a single external customer and are attributable to the raw materials segment (2010: raw materials segments).

33. Reconciliation between FRSs and International Financial Reporting Standards ("IFRSs")

For the years ended 30 April 2011 and 2010, there were no material differences between the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity of the Group prepared under FRSs and IFRSs.

The differences between the consolidated statement of financial position of the Group as at 30 April 2011 and 2010 prepared under FRSs and IFRSs are as follows:

	Property plant and equipment US$	Prepaid land lease payments US$
As at 30 April 2011		
Amount reported under FRSs	**9,818,297**	**–**
Reclassification of leasehold land	**(1,167,098)**	**1,167,098**
Amount reported under IFRSs	**8,651,199**	**1,167,098**
As at 30 April 2010		
Amount reported under FRSs	7,624,809	–
Reclassification of leasehold land	(1,135,435)	1,135,435
Amount reported under IFRSs	6,489,374	1,135,435

The difference is due to FRS 17 Leases allows leasehold land to be treated as finance leases and leased assets be recorded as property, plant and equipment. Under IAS 17, such leasehold land are treated as prepaid lease payments which cannot be subsequently re-measured and carried at revalued amount.

34. Event after the reporting period

On 11 May 2011, the Group entered into a joint venture agreement with Qingdao Port Investment and Construction Group Co., Ltd. (青島港口投資建設(集團)有限責任公司), incorporated in PRC, for the purpose of setting up a new joint venture company namely Qingdao Novo Port Investment Logistic Limited in the PRC with registered capital of RMB30,000,000 and a total investment of approximately RMB90,000,000. The Group will hold 98% equity interest in the new joint venture company.

On 28 June 2011, the Group entered into a supplemental joint venture framework agreement (the "**Supplemental JVA**") with 上海同場實業有限公司 (Shanghai Tong Chang Industrial Co., Ltd.) and 上海艾多維鋼鐵工程技術有限公司 (Shanghai Idowell Steel Engineering and Equipment Co., Ltd) for the purposes of increasing the existing registered share capital of Novowell ETP Limited from US$7,500,000 to US$13,500,000 and that the Group shall contribute to Novowell ETP Limited a shareholder's loan for an amount not exceeding US$2,500,000 within 12 months from the date of the Supplemental JVA. The Supplemental JVA is conditional upon the Company obtaining the shareholders' approval by way of poll of the relevant resolution(s) and compliance with the relevant requirements under the HK Listing Rules and the Singapore Listing Rules.

35. Comparative figures

Term loans of the Group are callable term loans and the amounts should be classified under current liabilities in accordance with Interpretations of IAS 1 Presentation of Financial Statements.

Therefore, comparative figures have been reclassified to conform with current year's presentation as follows:

	Group 2010		
	As previously reported US$'000	Amount reclassified US$'000	As reclassified US$'000
Non-current liabilities			
Borrowings	2,600,468	(2,600,468)	–
Current liabilities			
Borrowings	11,304,614	2,600,468	13,905,082

Accordingly, the Group has presented three statements of financial position in the financial statements. Related note for the three statements of financial position for line items which have been restated have also been presented. Other notes not presented for the statement of financial position at the beginning of the earliest comparative period as they have not been impacted by the restatement.

36. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 April 2011 were authorised for issue in accordance with a resolution of the directors dated 15 July 2011.

Summary of Results, Assets and Liabilities

Results

	2008 US$'000	2009 US$'000	2010 US$'000	**2011** **US$'000**
Revenue	479,970	523,692	403,023	**501,606**
Profit attributable to equity holders	11,610	1,587	11,775	**4,521**
Earnings per share (US cents) (restated)	9.96	1.00	7.61	**2.65**

Assets and Liabilities

	2008 US$'000	2009 US$'000	2010 US$'000	**2011** **US$'000**
Non-current assets	2,127	1,526	8,088	**10,328**
Current assets	78,332	58,471	83,220	**90,786**
Total assets	80,459	59,997	91,308	**101,114**
Totals liabilities	(40,244)	(19,622)	(30,033)	**(38,809)**
Non-controlling interests	(18)	(580)	(1,098)	**(1,151)**
Equity attributable to equity holders of the Company	40,197	39,795	60,177	**61,154**

Statistics of Shareholding

As at 5 July 2011

Issued and fully paid	:	S$154,908,683
Number of shares with voting rights	:	170,804,269
Number of Treasury Shares held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

Shareholdings Held in Hands of Public

Based on information available to the Company as at 5 July 2011, 25.1% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	1,828	57.87	109,461	0.06
1,000 – 10,000	795	25.17	4,068,148	2.38
10,001 – 1,000,000	529	16.74	23,921,158	14.01
1,000,001 AND ABOVE	7	0.22	142,705,502	83.55
TOTAL:	3,159	100.00	170,804,269	100.00

As at 5 July 2011
Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	NEW PAGE INVESTMENTS LIMITED	78,156,250	45.76
2.	HKSCC NOMINEES LIMITED	51,289,000	30.03
3.	YU WING KEUNG, DICKY	5,759,031	3.37
4.	CHOW KIN WA	2,468,156	1.45
5.	LIU LU OR ZHU ZHENGHONG	1,880,000	1.10
6.	UOB KAY HIAN PTE LTD	1,614,594	0.95
7.	CIMB SECURITIES (SINGAPORE) PTE LTD	1,538,471	0.90
8.	OCBC SECURITIES PRIVATE LTD	894,805	0.52
9.	DBS VICKERS SECURITIES (S) PTE LTD	797,377	0.47
10.	LAM YEE PAN	641,500	0.38
11.	ZHU ZHENGHONG OR LIU SHOU ZHENG	566,000	0.33
12.	HG METAL INVESTMENTS PTE. LTD.	500,000	0.29
13.	SURINDER VIR SINGH	417,000	0.24
14.	RAFFLES NOMINEES (PTE) LTD	393,136	0.23
15.	KIM ENG SECURITIES PTE. LTD.	386,992	0.23
16.	SIM SUAY HWA	375,000	0.22
17.	CHAN SIEW HONG	350,000	0.20
18.	WONG POON THYE	345,000	0.20
19.	NEOCORP INNOVATIONS PTE. LTD. (IN CREDITORS' VOLUNTARY LIQUIDATION)	313,870	0.18
20.	DBS NOMINEES PTE LTD	295,788	0.17
	TOTAL:	148,981,970	87.22

Substantial Shareholders

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Yu Wing Keung, Dicky(1)	5,759,031	3.37	119,656,250	70.05
Chow Kin Wa(2)	2,468,156	1.45	117,143,750	68.58
New Page Investments Limited(3)	78,156,250	45.76	38,987,500	22.82

Notes:

(1) Mr. Yu Wing Keung, Dicky is deemed interested in 117,143,750 shares held by New Page Investments Limited as he holds a 70% shareholding interest in New Page Investments Limited and 2,512,500 shares registered in the name of HKSCC Nominees Limited.

(2) Mr. Chow Kin Wa is deemed interested in 117,143,750 shares held by New Page Investments Limited as he holds a 30% shareholding interest in New Page Investments Limited.

(3) New Page Investments Limited is deemed interested in 38,987,500 shares registered in the name of HKSCC Nominees Limited.

Corporate Information

Board of Directors

Executive Directors:
Yu Wing Keung, Dicky *(Executive Chairman)*
Chow Kin Wa *(Chief Executive Officer)*
Chow Kin San

Independent non-executive Directors:
Tang Chi Loong
Foo Teck Leong
Tse To Chung, Lawrence

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Investment Committee

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

Company Secretaries

Wee Woon Hong
Lee Hock Heng
Wong Tak Yee

Authorised Representatives

Yu Wing Keung, Dicky
Chow Kin San

Compliance Advisor

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Principal Share Registrar and Transfer Office in Singapore

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50 Raffles Place
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Singapore 048623

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre, 28 Queen's Road East
Hong Kong

Independent Auditor

Baker Tilly TFW LLP
15 Beach Road #03-10 Beach Centre
Singapore 189677
Partner-in-Charge: Tiang Yii
(Appointed since the financial year ended 30 April 2009)

Principal Bankers

BNP Paribas, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Overseas-Chinese Banking Corporation Limited (Hong Kong branch)
Rabobank International (Hong Kong branch)
Shanghai Commercial Bank Limited
Societe Generale
ABN AMRO Bank N.V. (Singapore branch)
WestLB AG (Singapore branch)

Stock Codes

Hong Kong Stock Code: 1048
Singapore Stock Code: MR8

Company's Website

www.novogroupltd.com