NOVO GROUP LTD.
新源控股有限公司*

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

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2011

INTERIM RESULTS

The board (the "Board") of the directors (the "Directors") of Novo Group Ltd. (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 31 October 2011 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 31 October 2011

		Six months ended 31 October	
		2011	2010
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**163,087**	207,839
Cost of sales		**(151,261)**	(198,796)
Gross profit (Note 1)		**11,826**	9,043
Other income (Note 2)	*6*	**981**	2,466
Distribution and selling expenses (Note 1)	*7*	**(8,442)**	(5,603)
Administrative expenses		**(3,227)**	(3,032)
Other operating expenses (Note 3)		**(462)**	589
Finance costs	*8*	**(461)**	(464)
Share of results of associated companies		**28**	9
Profit before taxation	*9*	**243**	3,008
Income tax	*10*	**(117)**	(203)
Profit for the period		**126**	2,805

Note 1: Due to the change of trading terms in the international trading business in the second quarter of the financial year 2012, most of the freight charges were paid by the Group. The profit after freight charges and distribution agency fees amounted to approximately US$4.0 million or approximately 2.5 % of total revenue for the six months period ended 31 October 2011, compared to approximately US$5.5 million or approximately 2.6% of total revenue in the corresponding period of last year.

Note 2: The decrease in other income was mainly because no compensation income was received from suppliers or customers in the six months period ended 31 October 2011, compared to approximately US$2.2 million in the corresponding period of last year.

Note 3: Other operating expenses in the six months period ended 31 October 2011 amounted to approximately US$462,000, mainly comprised a net fair value losses of approximately US$296,000 on non-deliverable forward contracts entered by the Group for managing the currency risk arising from committed new projects' capital investment. Net exchange losses amounted to approximately US$156,000 was recorded in current reporting period. In the corresponding period of last year, a net exchange gains of approximately US$589,000 was recorded.

* *For identification purpose only*

	Note	Six months ended 31 October 2011 *US$'000* (Unaudited)	2010 *US$'000* (Unaudited)
Attributable to:			
Owners of the Company		**112**	2,713
Non-controlling interests		**14**	92
Profit for the period		**126**	2,805
		US Cents	*US Cents* (Restated)
Earnings per share			
– Basic	*11*	**0.07**	1.59
– Diluted	*11*	**0.07**	1.59

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2011

	Six months ended 31 October 2011 *US$'000* (Unaudited)	2010 *US$'000* (Unaudited)
Profit for the period	**126**	2,805
Other comprehensive income for the period, net of tax:		
Exchange differences on translation of the Group's overseas operations	**277**	141
Total comprehensive income for the period	**403**	2,946
Attributable to:		
Owners of the Company	**369**	2,841
Non-controlling interests	**34**	105
Total comprehensive income for the period	**403**	2,946

Details of the dividend paid are disclosed in note 12 to the unaudited condensed consolidated interim financial statements. No dividend was proposed by the Directors for the six months ended 31 October 2011. The Directors declared an interim dividend of 1.0 Singapore cents per pre-consolidated ordinary share for the six months ended 31 October 2010.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2011

	Note	As at 31 October 2011 US$'000 (Unaudited)	As at 30 April 2011 US$'000 (Audited)
Non-current assets			
Property, plant and equipment	*13*	**12,900**	9,818
Investments in associated companies		**538**	510
		13,438	10,328
Current assets			
Inventories		**16,484**	19,347
Derivative financial instruments		**218**	–
Trade and other receivables	*14*	**55,565**	35,599
Tax recoverable		**19**	12
Pledged bank deposits		**5,807**	8,081
Cash and cash equivalents		**24,725**	27,747
		102,818	90,786
Total assets		**116,256**	101,114
Equity and liabilities			
Share capital		**32,239**	32,239
Reserves		**26,451**	28,915
Total equity attributable to owners of the Company		**58,690**	61,154
Non-controlling interests		**1,455**	1,151
Total equity		**60,145**	62,305
Non-current liabilities			
Deferred income		**185**	184
Current liabilities			
Trade and other payables	*15*	**41,714**	20,238
Deferred income		**4**	4
Derivative financial instruments		**514**	–
Borrowings, secured	*16*	**13,520**	18,076
Tax payable		**174**	307
		55,926	38,625
Total liabilities		**56,111**	38,809
Total equity and liabilities		**116,256**	101,114
Net current assets		**46,892**	52,161
Total assets less current liabilities		**60,330**	62,489
Net assets		**60,145**	62,305

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2011

	Equity attributable to owners of the Company						
	Share capital *US$'000* (Unaudited)	**Retained earnings** *US$'000* (Unaudited)	**Foreign currency translation reserve** *US$'000* (Unaudited)	**Other reserve** *US$'000* (Unaudited)	**Equity attributable to owners of the Company** *US$'000* (Unaudited)	**Non-controlling interests** *US$'000* (Unaudited)	**Total equity** *US$'000* (Unaudited)
Balance at 1 May 2010	32,239	25,336	2	2,601	60,178	1,098	61,276
Changes in equity for the period							
Total comprehensive income for the period	–	2,713	128	–	2,841	105	2,946
Acquisition of interest in a subsidiary	–	–	–	–	–	(16)	(16)
Dividend paid	–	(2,520)	–	–	(2,520)	–	(2,520)
Balance at 31 October 2010	32,239	25,529	130	2,601	60,499	1,187	61,686
Balance at 1 May 2011	**32,239**	**26,016**	**298**	**2,601**	**61,154**	**1,151**	**62,305**
Changes in equity for the period							
Total comprehensive income for the period	**–**	**112**	**257**	**–**	**369**	**34**	**403**
Capital injection	**–**	**–**	**–**	**–**	**–**	**270**	**270**
Dividend paid	**–**	**(2,833)**	**–**	**–**	**(2,833)**	**–**	**(2,833)**
Balance at 31 October 2011	**32,239**	**23,295**	**555**	**2,601**	**58,690**	**1,455**	**60,145**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2011

	Six months ended 31 October	
	2011 *US$'000* **(Unaudited)**	2010 *US$'000* (Unaudited)
Net cash generated from/(used in) operating activities	**5,416**	(806)
Net cash used in investing activities	**(2,458)**	(1,283)
Net cash (used in)/generated from financing activities	**(5,966)**	12,236
Net (decrease)/increase in cash and cash equivalents	**(3,008)**	10,147
Cash and cash equivalents at beginning of the period	**27,747**	13,048
Effect of currency translation on cash and cash equivalents	**(14)**	255
Cash and cash equivalents at end of the period	**24,725**	23,450
Cash and cash equivalents are represented by:		
Cash and bank balances	**24,725**	23,450

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 October 2011

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 29 June 1989 under the Singapore Companies Acts and its shares have been dual primary listing on both the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and The Stock Exchange of Hong Kong Limited (the "SEHK") since 28 April 2008 and 6 December 2010 respectively.

The registered office of the Company is located at 20 Harbour Drive #05-01 PSA Vista, Singapore 117612. The headquarter and principal place of business of the Group is at Rooms 1109-11, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the SEHK (the " HK Listing Rules") and with Singapore Financial Reporting Standard 34 "Interim Financial Reporting" issued by the Singapore Accounting Standards Council.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2011.

The unaudited condensed consolidated interim financial statements are presented in United States dollars ("US$") which is also the functional currency of the Company, rounded to the nearest thousand US$ ("US$'000"), unless otherwise stated.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, except for the derivative financial instruments are stated at their fair values.

3. CHANGES IN ACCOUNTING POLICIES

The adoption of the new and revised Singapore Financial Reporting Standards ("SFRSs") which are effective for the Group's financial statements for the annual period beginning on 1 May 2011 has had no significant financial impact on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

4. REVENUE

	Six months ended 31 October 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Sales of steel products	**137,261**	204,415
Sales of coal	**25,826**	3,424
	163,087	207,839

5. 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.

(i) Business segments

The Group has four reportable segments as follows:

Raw materials

– Distribution and sales of materials such as iron ore 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 coils and cold rolled coils.

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 different segments, and accordingly these items have been disclosed as unallocated income and unallocated costs respectively.

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. 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, it is not meaningful to disclose capital expenditure, assets and liabilities by operating segments.

For the six months ended 31 October 2011

	Raw materials *US$'000* (Unaudited)	Semi-finished products *US$'000* (Unaudited)	Finished products *US$'000* (Unaudited)	Others *US$'000* (Unaudited)	Total *US$'000* (Unaudited)
Revenue	**100,325**	**25,303**	**28,840**	**8,619**	**163,087**
Segment results	**2,589**	**351**	**861**	**205**	**4,006**
Unallocated income					**981**
Unallocated costs					**(4,311)**
Finance costs					**(461)**
Share of results of associated companies					**28**
Profit before taxation					**243**
Income tax					**(117)**
Net profit for the financial period					**126**

As at 31 October 2011 (Unaudited)

Assets and liabilities	
Unallocated assets	**115,718**
Investments in associated companies	**538**
Total assets	**116,256**
Unallocated liabilities	**56,111**
Total liabilities	**56,111**

For the six months ended 31 October 2011 (Unaudited)

Other unallocated items	
Capital expenditure	**3,212**
Depreciation	**227**
Non-cash items other than depreciation	**303**

For the six months ended 31 October 2010

	Raw materials *US$'000* (Unaudited)	Semi-finished products *US$'000* (Unaudited)	Finished products *US$'000* (Unaudited)	Others *US$'000* (Unaudited)	Total *US$'000* (Unaudited)
Revenue	124,329	21,154	60,094	2,262	207,839
Segment results	3,732	(715)	2,385	99	5,501
Unallocated income					2,466
Unallocated costs					(4,504)
Finance costs					(464)
Share of results of associated companies					9
Profit before taxation					3,008
Income tax					(203)
Net profit for the financial period					2,805

As at 30 April 2011 (Audited)

Assets and liabilities	
Unallocated assets	100,604
Investments in associated companies	510
Total assets	101,114
Unallocated liabilities	38,809
Total liabilities	38,809

For the six months ended 31 October 2010 (Unaudited)

Other unallocated items	
Capital expenditure	1,270
Depreciation	132
Non-cash items other than depreciation	(9)

(ii) Geographical information

The turnover by geographical segments is based on the location customers regardless of where the goods are produced.

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

Sales revenue by geographical markets:

	Six months ended 31 October	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
North Asia *(Note i)*	**114,561**	154,653
South East Asia *(Note ii)*	**39,907**	47,540
India and Middle East *(Note iii)*	**–**	3,383
Others *(Note iv)*	**8,619**	2,263
	163,087	207,839

Non-current assets by geographical markets:

	As at 31 October 2011	As at 30 April 2011
	US$'000	*US$'000*
	(Unaudited)	(Audited)
North Asia *(Note i)*	**12,889**	9,803
South East Asia *(Note ii)*	**9**	12
India and Middle East *(Note iii)*	**2**	3
	12,900	9,818
Investments in associated companies	**538**	510
	13,438	10,328

Note:

(i) Included Hong Kong, Macau, the People's Republic of China (the "PRC") and Taiwan, etc.

(ii) Included Philippines, Singapore, Thailand, Indonesia and Vietnam, etc.

(iii) Included India.

(iv) Included Costa Rica, Italy, Belgium, Germany, etc.

6. OTHER INCOME

	Six months ended 31 October 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Amortisation of deferred income	**2**	2
Compensation received from suppliers and a customer	**–**	2,224
Government grants and subsidies	**418**	10
Net realised gains on disposal of derivative financial instruments	**–**	9
Rental income	**–**	18
Sundry income	**235**	15
Transportation income	**215**	180
	870	2,458
Finance income		
– bank interest income	**111**	8
Total	**981**	2,466

7. DISTRIBUTION AND SELLING EXPENSES

	Six months ended 31 October 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Distribution agency fees	**606**	669
Freight charges	**7,214**	2,874
Freight insurance	**62**	91
I/E declaration	**2**	4
Inspection fees	**138**	104
LC agency fees	**–**	108
Port handling charges	**35**	403
Shipping handling charges	**14**	603
Storage insurance	**4**	8
Transportation charges	**260**	409
Warehouse charges	**107**	330
	8,442	5,603

8. FINANCE COSTS

	Six months ended 31 October 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Bank charges	**152**	183
Interest on bank loans	**309**	281
	461	464

9. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	Six months ended 31 October	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Depreciation	**227**	132
Fair value losses on derivative financial instruments	**296**	–
Loss on disposal of property, plant and equipment	**–**	2
Material costs recognised as an expense in cost of sales	**151,261**	198,796
Net exchange losses/(gains)	**156**	(589)
Net realised losses/(gains) on trading of derivative financial instruments	**9**	(9)
Rental expenses	**104**	54
Staff costs (including directors' emoluments)	**1,746**	1,845

10. INCOME TAX

	Six months ended 31 October	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**26**	36
Current tax – Overseas Tax		
Provision for the period	**88**	167
Over-provision in respect of prior periods	**3**	–
	91	167
	117	203

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated based on the Group's profit for the period attributable to the owners of the Company divided by the weighed average number of ordinary shares outstanding during the six months ended 31 October 2011.

	Six months ended 31 October	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**112**	2,713
	Number of ordinary shares	
	'000	*'000*
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares	**170,804**	170,804

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. For comparison purpose, the weighted average number of ordinary shares for the corresponding period of the immediately preceding financial year were adjusted as if the share consolidation had been effected at the beginning of the preceding financial year.

There were no potentially dilutive ordinary shares in existence during the six months ended 31 October 2011 and 2010 and therefore the diluted earnings per share amounts for those periods were the same as the basic earnings per share amounts.

12. DIVIDENDS

Dividends attributable to the interim period

	Six months ended 31 October	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Final tax exempt dividend in respect of the previous financial years, approved and paid during the period, of S$2.0 (2010: S$0.50 cents per pre-consolidated ordinary share) cents per share	**2,833**	2,520

No interim dividend was proposed by the Directors for the six months ended 31 October 2011. The Directors declared an interim dividend of 1.0 Singapore cents per pre-consolidated ordinary share for the six months ended 31 October 2010 payable to owners of the Company.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2011, the Group acquired items of property, plant and equipment with cost of approximately US$3,212,000 (six months ended 31 October 2010: approximately US$1,270,000).

14. TRADE AND OTHER RECEIVABLES

	As at 31 October 2011 *US$'000* (Unaudited)	As at 30 April 2011 *US$'000* (Audited)
Advance payment to suppliers	**9,650**	9,301
Trade and bills receivables	**38,485**	17,428
	48,135	26,729
Deposits	**42**	33
Temporary payment	**162**	130
Prepayments	**1,679**	1,101
Other receivables	**2,533**	4,329
Non-trade balances due from		
– associated companies	**1,749**	1,849
– non-controlling shareholders	**429**	443
Trade balances due from		
– related companies	**836**	985
	7,430	8,870
	55,565	35,599

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

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

	As at 31 October 2011 *US$'000* (Unaudited)	As at 30 April 2011 *US$'000* (Audited)
Current	**36,161**	16,965
Less than 1 month past due	**1,922**	432
1 to 3 months past due	**402**	25
3 to 12 months past due	**–**	6
Amount past due	**2,324**	463
	38,485	17,428

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

At 31 October 2011, trade and bills receivables amounted to US$25,825,084 (unaudited) (30 April 2011 (audited): US$9,477,396) are pledged as securities for banking facilities granted to the Group.

15. TRADE AND OTHER PAYABLES

	As at 31 October 2011 *US$'000* **(Unaudited)**	As at 30 April 2011 *US$'000* (Audited)
Trade and bills payables	**35,188**	5,884
Sales deposits received	**5,073**	11,827
Accrued operating expenses	**977**	1,290
Other payables	**157**	923
Non-trade balances due to		
– non-controlling shareholders	**314**	314
Trade balances due to		
– related companies	**5**	–
	6,526	14,354
	41,714	20,238

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

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

	As at 31 October 2011 *US$'000* **(Unaudited)**	As at 30 April 2011 *US$'000* (Audited)
Due within 3 months or on demand	**35,188**	5,795
Due after 3 months but within 6 months	**–**	–
Due after 6 months but within 1 year	**–**	–
Due over 1 years	**–**	89
	35,188	5,884

16. BORROWINGS, SECURED

	As at 31 October 2011 *US$'000* **(Unaudited)**	As at 30 April 2011 *US$'000* (Audited)
Bank loan 1	**2,421**	2,602
Bank loan 2	**751**	–
Short term bank loans	**2,197**	2,847
Import bills loans	**2,324**	1,039
Inventory loans	**1,700**	4,815
Trade receivables loans	**3,027**	1,352
Trust receipt loans	**1,100**	5,421
	13,520	18,076

The borrowings and bills payables are secured by:

(i) legal pledge of the Group's leasehold land and buildings;

(ii) legal pledge of the Group's deposits and cash margin;

(iii) pledge of assets (cargo and related proceeds) underlying the financial transactions;

(iv) corporate cross guarantees between joint borrowers when appropriate; and

(v) corporate guarantees of the Company.

Bank loan 1 is repayable in 96 equal monthly installments of US$32,587 (30 April 2011(audited): US$32,561) commencing from 29 April 2010. The remaining installments payable at the end of reporting period (unaudited) is 77 installments (30 April 2011(audited): 83 installments). Bank loan 2 is repayable in 120 equal monthly installments of US$8,935 (30 April 2011(audited): Nil) commencing from 22 August 2011. The remaining installments payable at the end of reporting period (unaudited) is 117 installments (30 April 2011(audited): Nil). Notwithstanding to the above, both of bank loan 1 and 2 are subjected to review, recall, alter or cancel from time to time at the lender's discretion. Accordingly, they are classified under current liabilities.

Short term bank loans at 31 October 2011 (unaudited) are repayable within 75 days to 161 days (30 April 2011(audited): within 90 days to 165 days) from the date of drawdown.

Import bills loans of 31 October 2011 (unaudited) are repayable within 24 days (30 April 2011 (audited): 14 days) from the grant date.

Inventory loans of 31 October 2011 (unaudited) are repayable within 178 days (30 April 2011(audited): within 90 days to 150 days) from the commencement date.

Trade receivables loans of 31 October 2011 (unaudited) and 30 April 2011 (audited) are repayable within 90 days from the commencement date, respectively.

Trust receipt loans of 31 October 2011 (unaudited) are repayable within 56 days to 61 days (30 April 2011 (audited): within 60 days to 120 days) from the grant date.

	As at 31 October 2011	As at 30 April 2011
	%	%
	(Unaudited)	(Audited)
The weighted average interest rates at the end of reporting period are as follows:		
Bank loan 1	**1.10**	1.09
Bank loan 2	**7.05**	–
Short term bank loans	**6.39**	5.96
Import bills loans	**1.50**	1.84
Inventory loans	**2.73**	2.77
Trade receivables loans	**2.27**	2.30
Trust receipt loans	**2.82**	2.33

17. 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:

	As at 31 October 2011	As at 30 April 2011
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Leasehold land and buildings	**5,476**	5,542
Inventories	**9,554**	6,060
Trade and bills receivables	**25,825**	9,477
Pledged bank deposits	**5,807**	8,081
	46,662	29,160

18. RECONCILIATION BETWEEN SFRSs AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the six months ended 31 October 2011, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRS, International Accounting Standards and Interpretations).

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 October 2011 ("1HFY2012") (six months ended 31 October 2010 ("1HFY2011"): US$1,324,350).

BUSINESS REVIEW

Revenue

Amid ongoing macroeconomic uncertainties, coupling with the effect of the measures to cool down the property sector by the government of PRC and the growing risk from the Eurozone sovereign debt crisis during the period under review, the Group operated in a disciplined and prudent manner in customers selection and seeking potential markets and business sectors to leverage the fluctuating steel price. The Group recorded revenue of approximately US$163.1 million in 1HFY2012, representing a decrease of approximately 21.5% compared with approximately US$207.8 million in 1HFY2011.

International steel trading business was the main attribution to the Group's total revenue which contributed approximately 72.4% and 84.4% in 1HFY2012 and 1HFY2011, respectively. Domestic trading business contributed approximately 11.8% and 14.0% in 1HFY2012 and 1HFY2011 respectively, where coal trading contributed approximately 15.8% and 1.6% in 1HFY2012 and 1HFY2011 respectively.

In terms of geographical contribution, North Asia market remains the focus market of the Group, which accounted for approximately US$114.6 million or 70.3% of total revenue in 1HFY2012, compared to approximately US$154.7 million or 74.4% of total revenue in the corresponding period of last year. Revenue derived from South East Asia market accounted for approximately US$39.9 million or 24.5% of total revenue in 1HFY2012, compared to approximately US$47.5 million or 22.9% of total revenue in 1HFY2011. India market accounted for approximately US$3.3 million in 1HFY2011 (1HFY2012: Nil). Revenue contributed from others location amounted for approximately US$8.6 million or 5.2% in 1HFY2012 and approximately US$2.3 million or 1.1% in 1HFY2011.

Gross profit

The Group's gross profit for 1HFY2012 amounted to approximately US$11.8 million, representing a gross profit margin of approximately 7.3% while the Group's gross profit for 1HFY2011 amounted to approximately US$9.0 million, representing a gross profit margin of approximately 4.4% in 1HFY2011 due to the change in trading terms.

Other income

Other income decreased by approximately 60.2% from approximately US$2.5 million in 1HFY2011 to approximately US$981,000 in 1HFY2012. The decrease was mainly because no compensation income was received from suppliers or customers in 1HFY2012 (1HFY2011: approximately US$2.2 million). The effect has been offset by increase in government grants of approximately US$400,000 and increase in interest income arisen from fixed deposits during the current reporting period.

Distribution and selling expenses

The Group's distribution and selling expenses in 1HFY2012 amounted to approximately US$8.4 million, compared with approximately US$5.6 million in 1HFY2011. The additional expenses mainly came from increase in freight charges due to the change in trading terms.

Administrative expenses

The administrative expenses amounted to approximately US$3.2 million in 1HFY2012 compared with approximately US$3.0 million in 1HFY2011. A slightly increase was mainly because the increase in administrative expenses raised from business expansion and new projects in Jiangsu and Tianjin and that has been partially offset by no discretionary bonuses and decrease in professional fees in 1HFY2012.

Other operating expenses

Other operating expenses in 1HFY2012 amounted to approximately US$462,000, mainly comprised of net fair value losses of approximately US$296,000 on non-deliverable forward contracts entered by the Group for managing currency risk arising from committed new projects' capital investment. Net exchange losses amounted to approximately US$156,000 was recorded in current reporting period. In the corresponding period last year, a net exchange gains of approximately US$589,000 was recorded.

Income tax

Income tax expenses decreased to approximately US$117,000 in 1HFY2012 from approximately US$203,000 in 1HFY2011, the reduction was mainly due to decrease in profit during the current reporting period. The decrease was not in line with the profit due to more assessable profit arisen from countries with higher income tax rate during the current financial period.

Review of Financial Position and Cash Flow

During 1HFY2012, the Group implemented more stringent cost control measures including review of inventory policy and strengthen credit control policy, thereby maintaining a healthy financial position.

Inventories

By avoiding over-stocking and implementing low inventory cost policies, the inventories held as at 31 October 2011 was approximately US$16.5 million, approximately US$14.9 million of inventories were held for Hong Kong domestic trade and distribution business. Approximately US$1.6 million were held for the PRC domestic trade and distribution business. Comparatively, approximately US$17.6 million and US$1.7 million of inventories were held for Hong Kong and the PRC domestic trade and distribution business as at 30 April 2011.

Receivables

Trade and other receivables increased from approximately US$35.6 million as at 30 April 2011 to approximately US$55.6 million as at 31 October 2011, this was mainly due to increase in trade receivables being recorded towards to the end of the quarter.

Payables

Payables increased in line with the receivables. Payables increased to approximately US$41.7 million as at 31 October 2011 from approximately US$20.2 million as at 30 April 2011. Trade and bills payables increased from approximately US$5.9 million as at 30 April 2011 to approximately US$35.2 million as at 31 October 2011, this was offset by the decrease in sales deposits received from approximately US$11.8 million as at 30 April 2011 to approximately US$5.1 million as at 31 October 2011.

FUTURE PROSPECTS

The PRC economy slowed down to one of its weakest pace in more than two years during the third quarter of 2011. Gross Domestic Product ("GDP") grew 9.1% in the third quarter of 2011, representing its third consecutive quarterly slowdown in growth for 2011 after registering GDP growth of 9.5% in the second quarter and 9.7% in the first quarter.

The slowdown was attributed to the effect of the European debt crisis and the sluggish United States economy, which has affected the demand for the PRC exports in the developed economies coupled with the continued tight monetary policy that the PRC government has implemented to curb soaring inflation.

Monetary policy remained tight as the PRC government continued to rein in inflation, it has helped to ease the housing inflation to its lowest level in September 2011.

Despite the slowdown in GDP growth in third quarter of 2011, data shows that investment in the PRC remains to be robust. During the first 3 quarters of 2011, the annualized growth of 24.9%. Industrial output also rose by approximately 13.2% in October 2011. However, the PRC real estate investment declined sharply to 25% in September as compared to 31.6% in August (National Statistics Bureau). The PRC government adopts a soft landing to cool down the economy and as forecasted by the International Monetary Fund, PRC GDP growth is expected to be 9.5% for 2011 as compared to 10.4% in 2010.

International trade

International steel trading remained stable during 1HFY2012 but weakness in raw material price, specifically iron ore, was observed. This was due to reduction of purchases by steel mills under the global economic uncertainty.

The Group believes that demand for raw materials will recover since steel production in the PRC remains firm and steel mills begin to replenish their raw material stock piles.

World Steel Association (WSA) foresees the recovery in steel demand in the developed countries will slow down while most of the emerging and developing countries should continue to enjoy robust growth in steel demand.

Based on the data from WSA, the PRC steel demand in 2011 is expected to increase by 7.5% to approximately 643.2 million tonnes in 2011 from 8.5% in 2010. By 2012, the PRC steel demand is expected to maintain at 6% growth, which will bring the PRC steel demand to approximately 681.6 million tonnes.

Ministry of Industry and Information Technology ("MIIT") forecasted that PRC steel consumption will reach to approximately 750 million tonnes by 2015 as the PRC government pursues urbanisation and launch infrastructure projects. This will further drive and sustain the demand for raw materials in the PRC.

The PRC imported around 618 million tonnes of iron ore in 2010. According to data from the MIIT, the PRC has imported approximately 448 million tonnes of iron ore in the first 8 months of 2011, up by 3.5% as compared to the same period of last year.

The Group maintains a cautiously optimistic view of the prospects in the coming months. The Group believes that short term fluctuation in the demand for raw materials was due to global economic and industry based factors. However, a consistent recovery in demand by 2012 has been forecasted as underlying fundamental of a stable raw material demand is in place and with the projects the PRC government and hence to continue support the demand. During the period under review, the Group also secured stable supply of steam coal for power plants in the PRC, and this business is expected to grow positively in 2012.

New Business Update

As the landscape of the PRC steel industry continues to evolve, the Group is expanding its business base to further enhance overall profit margin. The Group has moved ahead its three existing integrated projects that are expected to further contribute to its profitability in near future.

Electrolytic Tin Plate ("ETP") manufacturing in Jiangsu

Novowell ETP Limited is targeting to manufacture high quality tinplates for food and beverage packaging. The plant will be constructed in Jiangsu province, the PRC and it is expected to initially produce 150,000 tonnes of tinplate after Phase 1 and increase to 300,000 tonnes after Phase 2 construction by 2013. Financing for the project has been secured and construction will commence in January 2012 and the production plant is expected to be operational by late 2012. Total investment for the first phase of the project will be approximately US$52 million.

The Group is optimistic about the demand for high quality food and beverage packaging as living standards improve and lifestyle change in the PRC and other Asian countries.

Iron Ore and Coal warehousing and processing in Qingdao

In August 2011, the Group entered into a cooperation agreement with Qingdao Port Investment and Construction Group Co., Ltd* ("Qingdao Port Investment") to establish a company that will engage in iron ore and coal warehousing and processing. Qingdao Port Investment has an option to acquire 2% equity interest in the new company, which aims to tap into the growing demand for iron ore and coal in the PRC.

The Group has secured an initial land of 300mu that has a total storage capacity of minimum 2 million tonnes and annual processing turnover of more than 10 million tonnes. With this project, the Group aims to position itself as a major integrated logistics and iron ore and coal processing centre in the PRC. The Group is negotiating with top tier iron ore and coal mines in order to set up iron ore and coal processing in Dongjiakou, Qingdao.

* *For identification purpose only*

Steel Processing Plant in Tianjin

The construction of the Group's steel processing plant located at the western district of Tianjin Economic Technological Development Area has already been completed. The Group is currently negotiating with partners for installation of equipment in order to set up the processing and printing of tinplate facility.

The steel processing plant will handle tinplate, tin free steel and other flat rolled coils that will be cut, slitted, printed and packed for distribution in the local market.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, aggregate cash and cash equivalents decreased from approximately US$35.8 million as at 30 April 2011 to approximately US$30.5 million as at 31 October 2011, approximately US$2.8 million was attributed to dividend and approximately US$4.6 million was attributed to repayment of bank loans, and the remaining was mainly used for land acquisition in Jiangsu and setting up of the new office in Shanghai.

Cash and cash equivalents representing approximately 50.8% of the Group's net assets value as at 31 October 2011 (57.5% of net assets value as at 30 April 2011).

The gearing ratio calculated as a percentage of net debt to equity has increased from approximately 15% as at 30 April 2011 to approximately 34% as at 31 October 2011. Such change was mainly due to the increase of payables from approximately US$20.2 million as at 30 April 2011 to approximately US$41.7 million as at 31 October 2011.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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.

The Company has complied with the HK CG Code for 1HFY2012 except with respect to Code A.4.1, all the independent non-executive Directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited interim results for 1HFY2012, including the accounting principles and practices adopted by the Group, and has discussed and reviewed auditing, internal control and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the HK Listing Rules as the code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code during 1HFY2012.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.novogroupltd.com), SEHK (www.hkex.com.hk) and SGX-ST (www.sgx.com). The interim report for 1HFY2012 of the Company containing all information required by Appendix 16 to the HK Listing Rules will be despatched to shareholders and published on the above websites in due course.

By order of the Board
Novo Group Ltd.
Yu Wing Keung, Dicky
Executive Chairman

Hong Kong, 12 December 2011

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