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Novo Group Ltd.
新源控股有限公司*
(Registration No. 198902648H)
(Incorporated in Singapore with limited liability)
Stock Code: 1048

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is a reproduction of the announcement made by Novo Group Ltd. (the “**Company**”) regarding the unaudited financial statements and dividend announcement for the third quarter ended 31 January 2011 pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited. In compliance with Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires a listed issuer to ensure that if securities of the listed issuer are also listed on other stock exchanges, The Stock Exchange of Hong Kong Limited is simultaneously informed of any information released to any of such other stock exchanges and that such information is released to the market in Hong Kong at the same time as it is released on other markets, and please refer to the attached announcement on the next page issued on the Singapore Exchange Securities Trading Limited on 14 March 2011.

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

Hong Kong, 14 March 2011

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

* *for identification purpose only*

NOVO GROUP LTD.
(Incorporated in Singapore)
(Co. Reg. No. 198902648H)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE THIRD QUARTER ENDED 31 JANUARY 2011**

PART I INFORMATION REQUIRED FOR THIRD QUARTER ANNOUNCEMENT

1.(a)(i) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement for the Third Quarter ended 31 Jan 2011

	The Group					
	3 months period ended			9 months period ended		
	31 Jan 2011	31 Jan 2010	Increase /(Decrease)	31 Jan 2011	31 Jan 2010	Increase /(Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	195,197	127,731	52.8%	403,036	345,708	16.6%
Cost of sales	(175,167)	(109,029)	60.7%	(373,963)	(294,008)	27.2%
Gross profit	20,030	18,702	7.1%	29,073	51,700	-43.8%
Other operating income	110	406	-72.9%	2,567	2,043	25.6%
Distribution and selling expenses	(15,675)	(11,922)	31.5%	(21,278)	(37,857)	-43.8%
Administrative expenses	(1,979)	(1,675)	18.1%	(5,011)	(3,615)	38.6%
Other operating expenses (Note)	(1,211)	(23)	5165.2%	(613)	(83)	638.6%
Finance costs	(332)	(220)	50.9%	(796)	(820)	-2.9%
Share of results of associated companies	20	12	66.7%	29	(58)	NM
Profit before income tax	963	5,280	-81.8%	3,971	11,310	-64.9%
Income tax	(89)	(612)	-85.5%	(292)	(1,178)	-75.2%
Profit for the period	<u>874</u>	<u>4,668</u>	<u>-81.3%</u>	<u>3,679</u>	<u>10,132</u>	<u>-63.7%</u>
Attributable to:						
Equity holders of the Company	940	4,707		3,653	10,132	
Minority Interests	(66)	(39)		26	0	
	<u>874</u>	<u>4,668</u>		<u>3,679</u>	<u>10,132</u>	

NM – not meaningful

Note: Other operating expenses for the current financial period reported on included the professional and related expenses of approximately US\$1.3 million in relation to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited by way of introduction which was one-off in nature.

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Consolidated Statement of Comprehensive Income

	The Group					
	3 months period ended			9 months period ended		
	31 Jan 2011	31 Jan 2010	Increase /(Decrease)	31 Jan 2011	31 Jan 2010	Increase /(Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit for the period	874	4,668	-81.3%	3,679	10,132	-63.7%
Other comprehensive income:						
Exchange difference on translation of the Group's overseas operations	89	(12)	NM	230	(10)	NM
Total Comprehensive income for the period	<u>963</u>	<u>4,656</u>	-79.3%	<u>3,909</u>	<u>10,122</u>	-61.4%
Attributable to:						
Equity holders of the Company	1,021	4,695		3,862	10,122	
Minority interests	<u>(58)</u>	<u>(39)</u>		<u>47</u>	<u>0</u>	
	<u>963</u>	<u>4,656</u>		<u>3,909</u>	<u>10,122</u>	

1.(a)(ii) Notes to the Income Statement

	The Group			
	3 months period ended		9 months period ended	
	31 Jan 2011	31 Jan 2010	31 Jan 2011	31 Jan 2010
	US\$'000	US\$'000	US\$'000	US\$'000
Profit for the period is stated after charging/(crediting):				
Depreciation of property, plant and equipment	77	36	209	85
Interest on borrowings	173	48	454	307
Loss on disposal of property, plant and equipment	0	0	2	0
Interest income	(3)	(5)	(11)	(19)
Amortisation of deferred income	0	0	(2)	0
Net exchange (gain)/loss	(107)	53	(696)	4
Net realised (gain)/loss on disposal of derivative financial instruments	0	4	(9)	64
Fair value gain on derivative financial instruments	0	(15)	0	(15)
(Negative goodwill on consolidation)/goodwill written off	0	16	(3)	16

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1.(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Positions	The Group		The Company	
	As at	As at	As at	As at
	31 Jan 2011	30 Apr 2010	31 Jan 2011	30 Apr 2010
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current assets				
Property, plant and equipment	9,571	7,625	0	0
Interest in associated companies	493	464	0	0
Interest in subsidiaries	0	0	79,589	79,589
	<u>10,064</u>	<u>8,089</u>	<u>79,589</u>	<u>79,589</u>
Current assets				
Inventories	9,765	26,528	0	0
Tax recoverable	11	0	0	0
Receivables	86,299	24,680	33,152	33,973
Cash and bank balances	39,075	32,012	263	1,865
	<u>135,150</u>	<u>83,220</u>	<u>33,415</u>	<u>35,838</u>
Total assets	<u>145,214</u>	<u>91,309</u>	<u>113,004</u>	<u>115,427</u>
Non-current liabilities				
Borrowings	2,330	2,600	0	0
Deferred income	182	179	0	0
	<u>2,512</u>	<u>2,779</u>	<u>0</u>	<u>0</u>
Current liabilities				
Payables	69,844	14,523	63	103
Deferred income	4	4	0	0
Borrowings	11,175	11,305	0	0
Tax payable	354	1,422	3	6
	<u>81,377</u>	<u>27,254</u>	<u>66</u>	<u>109</u>
Total liabilities	<u>83,889</u>	<u>30,033</u>	<u>66</u>	<u>109</u>
Net assets	<u>61,325</u>	<u>61,276</u>	<u>112,938</u>	<u>115,318</u>
Equity				
Share capital	32,239	32,239	108,740	108,740
Retained earnings	25,145	25,336	1,597	3,977
Foreign currency translation reserve	211	2	0	0
Other reserve	2,601	2,601	2,601	2,601
	<u>60,196</u>	<u>60,178</u>	<u>112,938</u>	<u>115,318</u>
Minority Interests	1,129	1,098	0	0
Total equity	<u>61,325</u>	<u>61,276</u>	<u>112,938</u>	<u>115,318</u>

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1.(b)(ii) Aggregate amount of group's borrowings and debt securities.

	The Group		The Group	
	as at 31 Jan 2011		as at 30 Apr 2010	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less	11,175	0	11,305	0
Amount repayable after one year	2,330	0	2,600	0

Details of any collateral:

The Group's borrowings are secured by way of:

- legal pledge on the Group's leasehold land and building;
- legal pledge on the Group's deposits and cash margin;
- pledge of assets (cargo and related proceeds) underlying the financed transactions;
- corporate cross guarantees between joint borrowers when appropriate; and
- corporate guarantees of Novo Group Ltd.

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1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	The Group			
	3Q	3Q	YTD 3Q	YTD 3Q
	FY 2011	FY 2010	FY 2011	FY 2010
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before income tax	963	5,280	3,971	11,310
Adjustments for:				
Amortisation of deferred income	0	0	(2)	0
Depreciation of property, plant and equipment	77	36	209	85
Loss on disposal of property, plant and equipment	0	0	2	0
(Negative goodwill on consolidation)/goodwill written off	0	16	(3)	16
Interest expense	173	48	454	307
Interest income	(3)	(5)	(11)	(19)
Share of results of associated companies	(20)	(12)	(29)	58
Operating cash flow before movements in working capital	1,190	5,363	4,591	11,757
Inventories	7,520	(10,722)	16,762	(16,083)
Receivables	(22,774)	(20,285)	(61,619)	(17,384)
Payables	30,273	10,214	55,816	11,179
Currency translation differences	72	(14)	194	(22)
Cash generated from/(used in) operations	16,281	(15,444)	15,744	(10,553)
Income tax paid	(1,349)	(38)	(1,371)	(50)
Interest income received	3	5	11	19
Net cash generated from/(used in) operating activities	14,935	(15,477)	14,384	(10,584)
Cash flows from investing activities				
Purchase of property, plant and equipment	(811)	(1,375)	(2,081)	(1,768)
Net cash acquired from subsidiary	0	47	(13)	47
Investment in an associated company	0	0	0	(490)
Net cash used in investing activities	(811)	(1,328)	(2,094)	(2,211)
Cash flows from financing activities				
Repayment to directors	129	0	(609)	0
Advance from minority shareholders	0	716	113	716
Capital injection by minority shareholders	0	0	0	275
(Increase)/decrease in fixed deposits and cash pledged	(3,528)	(7,399)	7,990	(10,697)
Dividend paid	(1,324)	(2,120)	(3,844)	(4,211)
Net proceeds from placement of new shares and treasury shares	0	9,519	0	9,519
Interest expense paid	(173)	(48)	(454)	(307)
Acquisition of treasury shares	0	(719)	0	(1,144)
Net proceeds from short term borrowings	(4,487)	7,886	(164)	28,711
Repayments of bank loan	(90)	(790)	(269)	(20,632)
Net cash (used in)/generated from financing activities	(9,473)	7,045	2,763	2,230
Net increase/(decrease) in cash and cash equivalents	4,651	(9,760)	15,053	(10,565)
Cash and cash equivalents at beginning of quarter	23,450	16,087	13,048	16,892
Cash and cash equivalents at end of quarter	28,101	6,327	28,101	6,327
Cash and cash equivalents are represented by:				
Cash and bank balances	39,075	21,092	39,075	21,092
Less: Fixed deposits and cash subjected to restriction	(10,974)	(14,765)	(10,974)	(14,765)
	28,101	6,327	28,101	6,327

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1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

	Share capital	Treasury Shares	Retained earnings	Foreign currency translation reserve	Other Reserve	Equity attributable to equity holders of the Company	Minority interests	Total equity
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Group								
Balance at 1 May 2009	24,014	(1,991)	17,772	-	-	39,795	580	40,375
Minority shareholder for newly incorporated subsidiary	-	-	-	-	-	-	275	275
Acquisition of treasury shares	-	(425)	-	-	-	(425)	-	(425)
Dividend paid	-	-	(2,091)	-	-	(2,091)	-	(2,091)
Total comprehensive income for the period	-	-	5,425	2	-	5,427	39	5,466
Balance at 31 Oct 2009	24,014	(2,416)	21,106	2	-	42,706	894	43,600
Acquisition of treasury shares	-	(719)	-	-	-	(719)	-	(719)
Placement of new shares and treasury shares (net)	8,224	735	-	-	560	9,519	-	9,519
Dividend paid	-	-	(2,120)	-	-	(2,120)	-	(2,120)
Acquisition of treasury shares	-	-	-	-	-	-	(13)	(13)
Total comprehensive income for the period	-	-	4,707	(12)	-	4,695	(39)	4,656
Balance at 31 Jan 2010	32,238	(2,400)	23,693	(10)	560	54,081	842	54,923
Balance at 1 May 2010	32,239	-	25,336	2	2,601	60,178	1,098	61,276
Acquisition of interest in a subsidiary	-	-	-	-	-	-	(16)	(16)
Dividend paid	-	-	(2,520)	-	-	(2,520)	-	(2,520)
Total comprehensive income for the period	-	-	2,713	128	-	2,841	105	2,946
Balance at 31 Oct 2010	32,239	-	25,529	130	2,601	60,499	1,187	61,686
Dividend paid	-	-	(1,324)	-	-	(1,324)	-	(1,324)
Total comprehensive income for the period	-	-	940	81	-	1,021	(58)	963
Balance at 31 Jan 2011	32,239	-	25,145	211	2,601	60,196	1,129	61,325

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Statement of Changes in Equity

<u>Company</u>	Share capital US\$ '000	Treasury Shares US\$ '000	Retained earnings US\$ '000	Other Reserve US\$ '000	Total equity US\$ '000
Balance at 1 May 2009	100,515	(1,991)	2,951	-	101,475
Acquisition of treasury shares	-	(425)	-	-	(425)
Dividend paid	-	-	(2,091)	-	(2,091)
Total comprehensive income for the period	-	-	2,614	-	2,614
Balance at 31 Oct 2009	100,515	(2,416)	3,474	-	101,573
Purchase of treasury shares	-	(719)	-	-	(719)
Placemnet of new shares and treasury shares	8,224	735	-	560	9,519
Dividend paid	-	-	(2,120)	-	(2,120)
Total comprehensive income for the period	-	-	(17)	-	(17)
Balance at 31 Jan 2010	108,739	(2,400)	1,337	560	108,236
Balance at 1 May 2010	108,740	-	3,977	2,601	115,318
Dividend paid	-	-	(2,520)	-	(2,520)
Total comprehensive expenses for the period	-	-	2,825	-	2,825
Balance at 31 Oct 2010	108,740	-	4,282	2,601	115,623
Dividend paid	-	-	(1,324)	-	(1,324)
Total comprehensive income for the period	-	-	(1,361)	-	(1,361)
Balance at 31 Jan 2011	108,740	-	1,597	2,601	112,938

1.(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 18 November 2010, the Company's shares have been consolidated on the basis that every four shares were consolidated into one consolidated share. The Company's issued and fully paid-up shares as at 31 January 2011 is 170,804,269 (31 January 2010: 683,219,640) ordinary shares, which comprised 170,804,269 (31 January 2010: 655,219,640) ordinary shares with voting rights and nil (31 January 2010: 28,000,000) treasury shares with no voting rights.

In the corresponding period of the immediately preceding financial year, the Company purchased 7,674,000 shares by way of on-market purchases for a consideration of S\$1,003,954, which was deducted from shareholders' equity. The Company subsequently,

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during the same corresponding period, sold 8,159,000 treasury shares and issued 51,841,000 new shares through placement.

There is no share option outstanding as at 31 January 2011.

1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 Jan 2011	As at 30 Apr 2010
Total number of issued shares, excluding treasury shares	170,804,269	683,219,640

1.(d)(iv) A statement showing all sales, transfers, disposal and cancellation and/or use of treasury shares as at the end of the current financial period reported on.

No treasury shares were sold, transferred, disposed, cancelled and/or used as at the end of the current financial period reported on.

2. Where the figures has been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the most recently audited financial statements for the year ended 30 Apr 2010, except for the adoption of new/revised Financial Reporting Standards ("FRS") and interpretations of FRS ("INT FRS") applicable to the Group for the financial period beginning 1 May 2010.

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The adoption of new /revised FRS and INT FRS have no material financial impact on the financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to Item 4 above.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	The Group			
	3Q	3Q	YTD	YTD
	FY 2011	FY 2010	FY 2011	FY 2010
	(in US Cents)	(in US Cents)	(in US Cents)	(in US Cents)
Earnings per ordinary shares:				
(a) Based on weighted average number of ordinary shares on issued; and	0.55	3.12	2.14	6.71
(b) On a fully diluted basis	0.55	3.12	2.14	6.71
Details:				
Profit attributable to shareholders (stated in US\$'000)	940	4,707	3,653	10,132
	Number of shares (stated in '000)		Number of shares (stated in '000)	
	FY 2011	FY 2010	FY 2011	FY 2010
Weight average number of ordinary shares	170,804	150,891	170,804	151,102

For comparison purpose, the weighted average numbers 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.

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7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) Current financial period reported on; and

(b) Immediately preceding financial year.

	The Group		The Company	
	As at 31 Jan 2011 (in US cents)	As at 30 Apr 2010 (in US cents)	As at 31 Jan 2011 (in US cents)	As at 30 Apr 2010 (in US cents)
Net assets value per ordinary share based on issued share capital of the issuer	35.2	35.2	66.1	67.5
Number of shares in issue as at end of period ('000)	170,804	170,804	170,804	170,804

For comparison purpose, the numbers of shares in issue as at the end of the immediately preceding financial year were adjusted as if the share consolidation had been effected at the end of the preceding financial year.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Performance

Revenue

The Group recorded revenue of approximately US\$195.2 million in 3QFY2011, an increase of 52.8% compared with US\$127.7 million in 3QFY2010. Total tonnage handled by the Group increased to approximately 1,067,000 tonnes in 3QFY2011 from approximately 683,000 tonnes in 3QFY2010.

Revenue contributed from international steel trading business still dominated Group revenue, it represented 86.6% and 85.7% of the Group revenue in 3QFY2011 and

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3QFY2010 respectively. Domestic trading business contributed 11.6% and 7.0%, where coal trading contributed 1.8% and 5.8% in 3QFY2011 and 3QFY2010.

The increase in the Group's revenue for the current financial period due to the increase in quantity of raw materials handled, and increase in selling prices of steel products where compared with that of the corresponding period in FY2010.

In 3QFY2011, the sales of raw materials still dominated Group revenue, representing approximately 88.7% and 51.0% of total revenue of the Group in the current financial period and the corresponding period respectively. Trading of iron ore contributed approximately US\$169.6 million of revenue in 3QFY2011 which is 193.4% higher than US\$57.8 million in 3QFY2010. The Group handled approximately 975,000 tonnes of iron ore during 3QFY2011, a strong increase of approximately 110.6% as compared with that of the corresponding period in FY2010. Trading of coal contributed approximately US\$3.5 million of revenue in 3QFY2011 and US\$7.4 million in 3QFY2010, representing approximately 54,000 tonnes and 93,000 tonnes in 3QFY2011 and 3QFY2010 respectively.

Revenue from trading of finished products contributed approximately 8.3% and 13.4% of total revenue of the Group's during 3QFY2011 and 3QFY2010 respectively. The revenue from finished products decreased to US\$16.1 million in 3QFY2011 from US\$17.1 million in 3QFY2010. In term of tonnage, the Group handled approximately 26,900 tonnes in 3QFY2011 and 30,300 tonnes in 3QFY2010.

Trading of semi-finished products accounted for US\$5.9 million in 3QFY2011, representing a decrease of US\$36.9 million from US\$42.8 million recorded in 3QFY2010. The revenue generated from semi-finished products contributed to total revenue was 3.0% and 33.5% in 3QFY2011 and 3QFY2010 respectively. Approximately 11,800 and 96,000 tonnes were handled by the Group in 3QFY2011 and 3QFY2010 respectively.

Gross Profit

The Group's gross profit for 3QFY2011 amounted to US\$20.0 million, representing a gross profit margin of approximately 10.3% while the Group's gross profit for 3QFY2010 amounted to approximately US\$18.7 million, representing a gross profit margin of approximately 14.6% in 3QFY2010. The decrease in gross profit margin in 3QFY2011 was mainly due to the drop in gross profit margin of raw materials from 26.6% to 10.8% for

market penetration in the current financial period reported on, whereas that of finished products decreased from 7% to 2% in 3QFY2011 and 3QFY2010.

Other operating income

Other operating income decreased by 72.9% to US\$0.1 million in 3QFY2011 from US\$0.4 million in 3QFY2010 due to lesser compensation income and interest income recorded in 3QFY2011.

Distribution and selling expenses

The distribution and selling expenses increased by US\$3.8 million to US\$15.7 million in 3QFY2011 from US\$11.9 million in 3QFY2010 due to higher freight charges incurred associated with more tonnages handled by the Group.

Administrative expenses

The administrative expenses amounted to US\$2.0 million in 3QFY2011 compared with US\$1.7 million in 3QFY2010 due mainly to the increase in the number of head count during the current financial period reported on.

Other operating expenses

Dual listing professional fee accounted for US\$1.3 million in 3QFY2011, which was offset by US\$0.1 million exchange gain incurred in current financial period reported on. Exchange losses in 3QFY2010 were amounted to approximately US\$53,000 in 3QFY2010.

Finance costs

The increase in finance costs of US\$0.1 million resulted from the increase in interest expenses due to higher bank borrowings and more bills being discounted in current financial period reported on.

Share of losses of associated companies

The increase in share of results of associated companies was attributable to more profit contributed from the regional trade and distribution unit.

Income tax

Income tax expenses decreased to approximately US\$0.1 million in 3QFY2011 from US\$0.6 million in 3QFY2010, such decrease was due to lesser profit generated during the current financial period.

Review of Financial Position and Cash Flow

Inventories

Inventories held as at 31 Jan 2011 was US\$9.8 million, US\$7.7 million of inventories were held for HK domestic trade and distribution business of Hong Kong, US\$1.7 million were held for the PRC domestic trade and distribution business and remaining US\$0.4 million were held for the India. Comparatively, US\$24.5 million and US\$2.0 million of stock were held by HK and PRC as at 30 April 2010.

Receivables

Receivables increased from US\$24.7 million in 30 April 2010 to US\$86.3 million in 31 Jan 2011 due to the increase in the trade receivables from international trade business as higher revenue was recorded for the current financial period and the increase in trade deposit of US\$5.5 million in respect of the PRC domestic trade and distribution business as compared to US\$3.9 million as at 30 April 2010.

Borrowings

Out of the short term borrowings of US\$11.2 million in current liabilities, US\$10.8 million was used for financing inventories in the domestic trading and distribution business. The remaining US\$0.4 million and the non-current portion of borrowings of US\$2.3 million were used to finance the office units acquired.

Payables

Payables increased to US\$69.8 million as at 31 Jan 2011 from US\$14.5 million as at 30 April 2010 due to (i) the increase in purchase, which was in line with the increase in receivables, (ii) the increase in deposit received of US\$6.6 million in respect of the HK and PRC domestic trade and distribution business as compared to US\$0.4 million as at 30 April 2010 and (iii) accrued expenses increased to US\$2.4 million 31 Jan 2011 from US\$0.7 million as at 30 April 2010, resulted from higher freight charges and demurrage fee were recorded in 3QFY2011.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, and variance between it and the actual results.

The results reported for the third quarter was in line with the profit guidance announcement made on 8 March 2011.

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Global crude steel production in 2010 rose to 1.414 billion tonnes from 1.229 billion tonnes in 2009 according to the data released by the World Steel Association in January 2011. The growth in production was driven by the growth in emerging regions and improving manufacturing in the developed economies.

Steel production in the PRC rose 9.3% in 2010 to 626.7 million tonnes based on the information from the Ministry of Industry and Information Technology (MITT). The MITT projects that for year 2011 PRC crude steel production will reach 660 million tonnes. MITT sees that steel demand from downstream sectors such as construction, machinery, home appliances and shipbuilding will continue to grow in 2011 which will prompt the steel industry to ramp up production.

At the onset of 2011 data from China Iron and Steel Association showed that the PRC produced 52.8 million tonnes of steel in January 2011, an increase of 0.5% from January 2010.

Iron ore imports by the PRC in 2010 fell to 619 million tons from 630 million tons in 2009 due to the measures implemented in the property sector and domestic mines increase its output. At the start of year 2011 imports rose 48% in January to 69 million tonnes due to recovery in steel production and restocking by steel mills. The strong import demand by the PRC coupled with low supply from India and Australia has contributed to the increase in iron ore prices.

INTERNATIONAL AND DOMESTIC STEEL TRADING

In a data released by the MITT, iron ore imports for the year 2011 would remain around 600 million tonnes compared to 619 million tonnes of iron ore import in 2010. The slight decrease is attributed to the PRC government's plan to boost its domestic iron ore production and the expected strong measures on over-heated property market in the PRC.

The Group is of view that iron ore demand will be stabilized with expected minimum 600 million tons of steel production capacity in the PRC in 2011, however, price of steel products and iron ore will fluctuate due to high inflation and volatile oil and commodity prices.

The Group believes that steel demand in the PRC will remain robust due to the planned investment of the PRC government to improve its urban infrastructure such as housing, roads, and transportation as part of the PRC's 12th Five-Year Plan.

Based on the projection released by the Ministry of Housing and Urban-Rural Development (MOHURD) Urban infrastructure Investment may reach to RMB7 Trillion during the 12th Five-Year Plan with Fixed Asset Investment in city infrastructure exceeding RMB1 trillion during the plan. This opportunity augurs well for the Group's International Trading and Domestic Trading business in the coming years.

The Group's domestic trade and distribution businesses are going along smoothly in the PRC and Hong Kong are contributing steadily to the Group.

Coal Trading

The demand for Coal in the PRC continues to remain high. Recent statistics from China National Development and Reform Commission show that the PRC imported a total of 164.78 million tonnes of coal in 2010, an increase of 30.9% from 2009. The demand is attributed to the increase in PRC energy demand boasted by its strong economic growth and the reliance of the PRC to coal despite increase in the use of natural gas and crude oil in power generation.

More than 70% of China's electricity comes from coal fired power plants (Source: Wall Street Journal 4 May 2010) and the PRC has inadequate domestic supply of higher-grade coking coal which is a key ingredient for making steel. It is expected that demand for coal in the PRC will remain high for 2011.

STEEL PROCESSING PLANT

The construction of the Group's steel processing plant has resumed and it is expected to be finished in June 2011. The Steel Processing Plant which is located in the western district of Tianjin Economic Technological Development area is expected to handle 100,000 tons of hot-rolled coil and 100,000 tons cold-rolled coil which will be cut, slitted and packed for distribution in the local market.

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11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared or recommended, a statement to that effect.

The Directors do not recommend any dividend for the third quarter ended 31 January 2011.

13. Confirmation pursuant to the Rule 705(5) of the Listing Manual

On behalf of the Directors of the Company, Mr Yu Wing Keung, Dicky and Mr Chow Kin Wa hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial statements for the third quarter ended 31 January 2011 to be false and misleading in any material aspect.

BY ORDER OF THE BOARD

Yu Wing Keung Dicky

Executive Chairman

Chow Kin Wa

Executive Director and CEO

14 March 2011