

NOVO GROUP LTD. 新源控股有限公司*

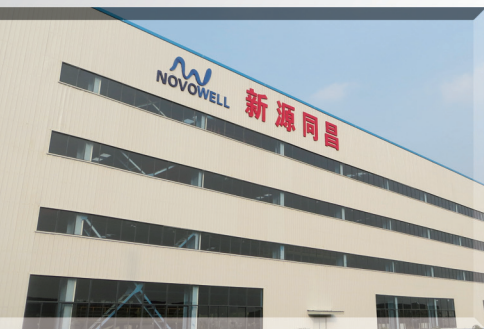
(Incorporated in Singapore with limited liability)

(Company Registration No. 198902648H)

Hong Kong Stock Code: 1048

Singapore Stock Code: MR8

Interim Report 2016



*For identification purpose only



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Corporate Profile

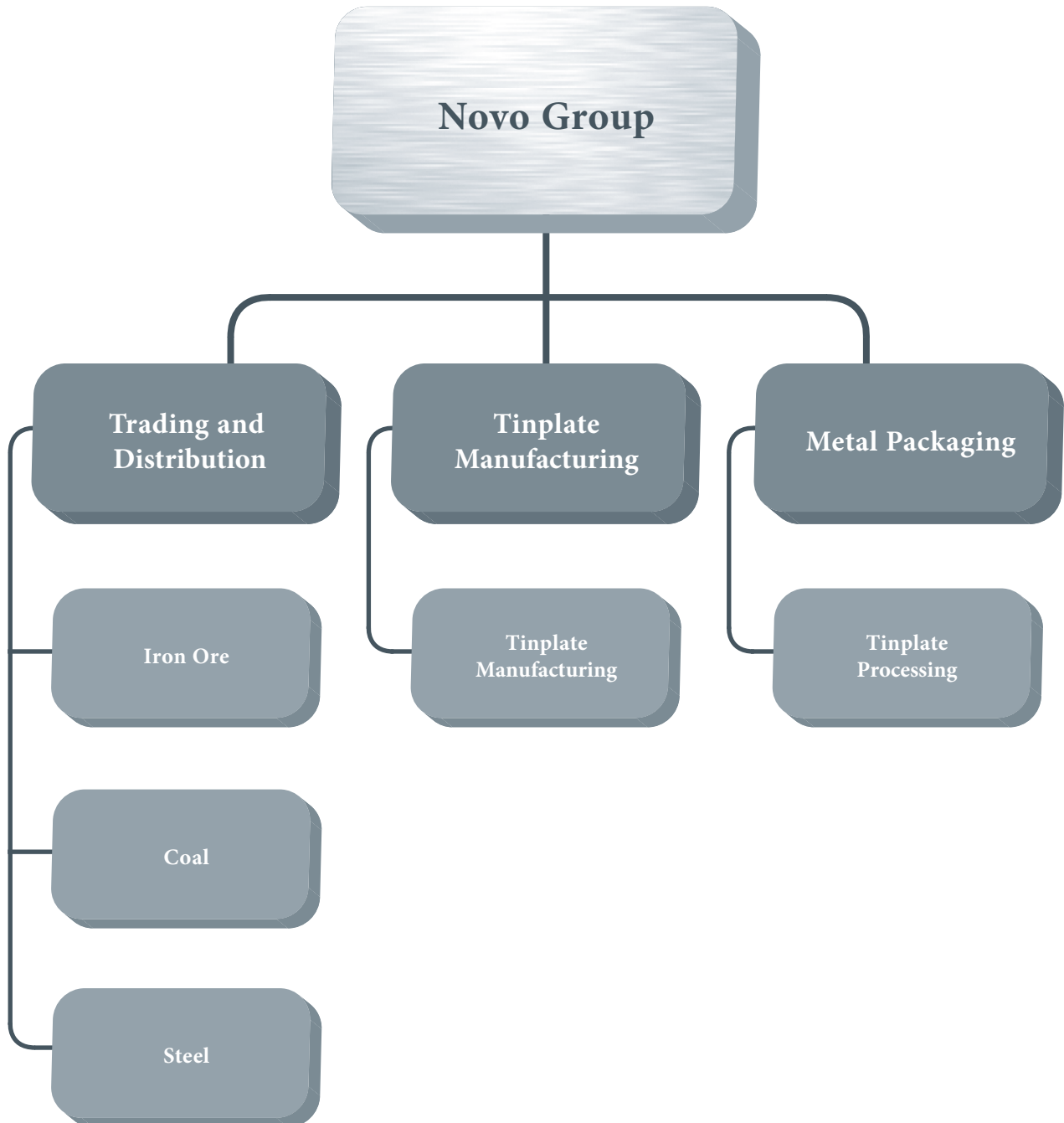
Founded in 2005 and headquartered in Hong Kong, Novo Group Ltd. (SEHK: 1048; SGX: MR8) (the “**Company**”, and, together with its subsidiaries, “**Novo**” or the “**Group**”) is a leading corporation which focusing on bulk commodities trading (iron ore, coal and steel products), tinsplate manufacturing and downstream operations of metal packaging industry.

Led by an experienced senior management team with proven track record in the steel and coal industries, Novo has not only expanded its capabilities horizontally in the steel industry value chain but has also grown its market presence to more than 30 countries globally since the establishment. We are distinguished from our competitors by our powerful blend of deep industry knowledge, modernised management and marketing capabilities, we maintain the flexibility to adapt to changes in market conditions while take pride in serving our customers with unparalleled services and quality products.

There are three business divisions under the Group, namely:

- (a) Trading and distribution;
- (b) Tinsplate manufacturing; and
- (c) Metal packaging.

Business Segments



Board of Directors

Executive Directors

The updated information relating to the Company's directors (the "**Director(s)**") is set out below, and the change of directors' information pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**HK Listing Rules**") since the Company's last published annual report is set out in the section "Change of Information relating to Directors":-

Mr. Zhu Jun ("Mr. Zhu"), executive Director and executive Chairman, was appointed on 30 October 2015. 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 Golden Star Group Limited, which is a controlling shareholder of the Company. Mr. Zhu resigned as an executive director and chairman of GNet Group plc, an eCommerce company incorporated in Jersey, on 9 December 2015. He has served as the chairman of Sun Shine Holding Group Inc. in Guangzhou since 1997. Mr. Zhu is a World Fellow of The Duke of Edinburgh's International Award since 2014. He holds a Bachelor's degree from the Beijing Agricultural Engineering University and studied at Guangdong Academy of Social Science from 1988 to 1990. Since 30 October 2015, he has been the chairman of the nominating committee and a member of the remuneration committee of the Company.

Chow Kin Wa ("Mr. Chow"), executive Director and chief executive officer of the Company, was appointed on 10 March 2008. He is responsible for the business development and trading activities of the Group. He is also a director and controlling shareholder of New Page Investments Limited ("**New Page Investments Limited**"), which ceased to be a controlling shareholder of the Company since 5 October 2015. Mr. Chow has over 20 years of experience in multinational steel trading and manufacturing business. Mr. Chow 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, United States of America. He is the younger brother of Mr. Chow Kin San, who ceased to be an executive Director on 6 August 2015.

Ms. Wang Jianqiao ("Ms. Wang"), executive Director, was appointed on 30 October 2015. She is also a director of Golden Star Group Limited, which is a controlling shareholder of the Company. She had worked for large enterprises including the Finance Shared Service Center of the Baosteel Group in 2012 and Ping An Bank between 2013 and 2015. Ms. Wang served as a vice president of Xinxing Investment Group in 2014 and was appointed as a director of Xinxing Investment Group. She holds a Bachelor's degree in Management from the Shanghai Finance University. She has been taking Executive Master of Business Administration program of Shanghai Jiao Tong University, since 25 November 2015.

Board of Directors

Independent non-executive Directors

Tang Chi Loong (“Mr. Tang”), independent non-executive Director, was 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 15 years with experience in diverse areas of the law. He is currently a partner of a law firm, Hin Tat Augustine and Partners overseeing the insurance law department of the firm. Mr. Tang sits on the board of Sinjia Land Limited (formerly known as HLN Technologies Limited), a company listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Since 1 July 2009, he has been the chairman of the remuneration committee and the nominating committee and a member of the audit committee. He has been re-designated from the chairman of the nominating committee to member of the nominating committee on 30 October 2015.

Foo Teck Leong (“Mr. Foo”), independent non-executive Director, was 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 degree from The University of Manchester, United Kingdom in 2004. Mr. Foo is a member of the Institute of Singapore Chartered Accountants since 1994. Mr. Foo currently manages a business consultancy firm, Red Dot Consult Pte Ltd and holds directorship in several privately held companies. He is the chairman of the audit committee since 19 November 2010, and a member of the remuneration committee and the nominating committee of the Company since 1 April 2010.

William Robert Majcher (“Mr. Majcher”), independent non-executive Director, was appointed on 27 November 2015 after 4:00 p.m. Mr. Macher holds a Bachelor’s degree in Commerce from St. Mary’s University, Halifax, Nova Scotia, Canada. With over 25 years of experience in public service, international finance and capital markets, he is recognised as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice in Canada. Mr. Majcher is currently an independent non-executive director of (i) Evolving Gold Corporation (a company listed on both The Canadian Stock Exchange with stock code: EVG and The Frankfurt Stock Exchange with stock code: EV7); (ii) Chanceton Financial Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “**SEHK**”) with stock code: 8020); and (iii) CCT Land Holdings Limited (a company listed on the Main Board of the SEHK with stock code: 261). Mr. Majcher was appointed previously as the chairman and an executive director of the China Investment Fund Company Limited (a company listed on the Main Board of the SEHK with stock code: 612) from 15 August 2007 to 15 January 2013. Mr. Majcher was also an independent non-executive director of Pan American Goldfields Ltd. (a company listed on the OTC Bulletin Board with stock code: MXOM) from 3 July 2013 to 6 June 2014. Since 27 November 2015 at 4:00 p.m., he is a member of the audit committee, remuneration committee and nominating committee of the Company.

Board of Directors

Change of Information relating to Directors

Changes in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the HK Listing Rules, are set out below:

Name of Director	Details of change
Mr. Zhu	<ul style="list-style-type: none"> • Appointed as executive Director and executive Chairman on 30 October 2015. • Appointed as chairman of the nominating committee on 30 October 2015. • Appointed as a member of the remuneration committee on 30 October 2015. • Mr. Zhu has entered into a service contract with the Company for a term of 3 years from 30 October 2015. Mr. Zhu is entitled to receive a remuneration of HK\$12 per annum, share options and discretionary bonus as the Company shall determine. The share options and discretionary bonus of Mr. Zhu is determined by the Company from time to time based on the recommendation by the remuneration committee of the Company taking into account, among other factors, his qualifications and experience, responsibilities undertaken, contribution to the Company and the prevailing market level of remuneration for similar position.
Ms. Wang	<ul style="list-style-type: none"> • Appointed as executive Director on 30 October 2015. • Ms. Wang has entered into a service contract with the Company for a term of 3 years from 30 October 2015. Ms. Wang is entitled to receive a remuneration of HK\$1,800,000 per annum, share options and discretionary bonus as the Company shall determine. The emolument of Ms. Wang is determined by the Company based on the recommendation by the remuneration committee of the Company taking into account, among other factors, her qualifications and experience, responsibilities undertaken, contribution to the Company and the prevailing market level of remuneration for similar position.
Yu Wing Keung, Dicky ("Mr. Yu")	<ul style="list-style-type: none"> • Re-designated from executive Chairman to executive Director on 30 October 2015. • Resigned as executive Director of the Company on 27 November 2015 after 4:00 p.m.
Mr. Chow	<ul style="list-style-type: none"> • New Page Investments Limited, of which Mr. Yu and Mr. Chow are directors and owned as to 70% and 30% respectively, ceased to be a controlling shareholder of the Company on 5 October 2015.
Mr. Chow Kin San	<ul style="list-style-type: none"> • Service agreement as executive Director was terminated on 6 August 2015.
Mr. Tang	<ul style="list-style-type: none"> • Re-designated from chairman of the nominating committee to member of the nominating committee of the Company on 30 October 2015.

Board of Directors

Name of Director	Details of change
Tse To Chung, Lawrence ("Mr. Tse")	<ul style="list-style-type: none"> • Resigned as independent non-executive Director on 27 November 2015 after 4:00 p.m. • Resigned as member of the audit committee, remuneration Committee and nominating committee of the Company on 27 November 2015 after 4:00 p.m.
Mr. Majcher	<ul style="list-style-type: none"> • Appointed as independent non-executive Director on 27 November 2015 after 4:00 p.m. • Appointed as a member of the audit committee, remuneration committee and nominating committee of the Company on 27 November 2015 after 4:00 p.m. • Mr. Majcher has entered into a letter of appointment with the Company for a term of three years from 27 November 2015. Mr. Majcher is entitled to receive a director's fee of US\$34,000 per annum. His emolument is determined by the Board based on the recommendation by the remuneration committee of the Company taking into account, among other factors, his qualifications and experience, responsibilities undertaken, contribution to the Company and the prevailing market level of remuneration for similar position.

Upon specific enquiry by the Company and confirmations from Directors, save as otherwise set out in this interim report, there are no other changes in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the HK Listing Rules since the Company's last published annual report.

Senior Management

Kwok Tung Fai, was appointed as Chief Financial Officer of the Group (the “CFO”) on 18 December 2015. He holds a Bachelor’s degree of Business Administration with a major in Professional Accountancy from the Chinese University of Hong Kong in 1997, and a Master of Science degree in Financial Analysis from the Hong Kong University of Science and Technology in 2010. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He is responsible for financial accounting, banking facilities and investor relations of the Group. Prior to joining the Company, he has over 16 years of experience in corporate finance, merger and acquisition, company secretary, and financial accounting in various corporations, including multinational accounting firms, a multi-national listed financial institution, listed companies in Hong Kong and other private companies. He had worked in TC Orient Lighting Holdings Limited (stock code: 515) for many years, during which he served as an executive director for the period from 1 April 2012 to 31 August 2014, the company secretary for the period from 18 April 2012 to 31 August 2014, the chief financial officer for the period from 18 April 2012 to 31 July 2013, and chief operating officer for the period from 1 August 2013 to 31 August 2014.

Ma Yiu Ming, Head of Operations of the Group, joined the Group since 2006. He holds a Bachelor’s degree and a Master’s degree of Business Administration from the Open University of Hong Kong. He is currently a fellow member of the Institute of Chartered Shipbrokers. He is responsible for the Group’s business coordination and integration of various functional developments such as operations, shipping, insurance and legal. He has over 25 years of experience in the international traffic and logistics business, particularly in shipping, insurance, cargo inspection, arbitration and legal consulting. Prior to joining the Group, he held several managerial positions in various shipping and chartering companies and was responsible for shipping and chartering functions.

Ji Na Xin, General Manager of the People’s Republic of China (the “PRC” or “China”) Division, joined the Group since 2008 and is responsible for the overall management, strategic planning and business development of the Group’s operations in the PRC. Backed by over 20 years of experience in multinational steel trading and manufacturing groups, he has established extensive business networks in the PRC.

Tam Hin Shi, Deputy General Manager of the PRC Division, joined the Group since 2008 and is responsible for promoting the business development activities of the Group’s PRC division. He has over 10 years of experience in steel related business in the PRC and has built up wide and deep connections with steel operators and manufacturers in various countries.

Yiu Lai Sin, Finance Manager, joined the Group since March 2015. She holds a Bachelor’s degree from a university in the PRC. She is an associate member of the Hong Kong Institute of Certified Public Accountants. Before appointing of the CFO, she reported to executive Directors and has been responsible for the financial management of the Group. Prior to joining the Group, she had over 15 years of extensive finance and accounting experience in respect of manufacturing, international trading and retails, etc. She has held managerial positions since the year of 2007.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 31 October 2015 (“1HFY2016”), with concerns over the slowdown economic growth in the global & China market, the Group has adopted cautious but prudent business direction and continues to focus on keeping the advantages to strengthen the international trading by searching for more new customers and developing for broaden markets under this adverse operating environment.

The Group’s recorded total approximately US\$8.4 million loss after tax for 1HFY2016, which comprised of approximately US\$3.4 million recorded in the first quarter and approximately US\$5.0 million recorded in the second quarter. The decrease was mainly due to no government grants and subsidies received during this year and the contribution from the Group’s sales still could not cover the whole operating expenses.

During 1HFY2016, a subsidiary of the Company, Novowell ETP Limited (“NWETP”), which is located in China within the tinplate manufacturing segment, has suspended its operations and yet to resume its operations as of the date of this interim report. The property, plant and equipment relating to this subsidiary amount to US\$55.3 million. The carrying amount of NWETP as at 31 October 2015 is US\$1.1 million.

Revenue

The Group’s revenue decreased by approximately 56.9% from approximately US\$158.5 million for the six months ended 31 October 2014 (“1HFY2015”) to approximately US\$68.3 million for 1HFY2016. The revenue drop was due to suspension of tinplate manufacturing operation and significant drop in sales of iron ore, steel products and coal, in consideration of global excess of supply, leading to drop of unit selling price.

Revenue from international steel trade business, major business segment, accounted for approximately 81.4% of the Group’s total revenue for both 1HFY2016 and 62.5% for 1HFY2015, representing of approximately US\$55.6 million and US\$99 million for 1HFY2016 and 1HFY2015 respectively. Revenue from tinplate manufacturing contributed approximately 1.1% and approximately 18.1% for 1HFY2016 and 1HFY2015, representing of approximately US\$729,000 and approximately US\$28.7 million for 1HFY2016 and 1HFY2015 respectively. Revenue from tinplate processing contributed approximately 17.4% and approximately 6.0% for 1HFY2016 and 1HFY2015, representing of approximately US\$11.9 million and approximately US\$9.6 million for 1HFY2016 and 1HFY2015 respectively. Domestic trade business accounted for approximately 0.1% and approximately 6.3% for 1HFY2016 and 1HFY2015, representing of approximately US\$87,000 and approximately US\$10 million for 1HFY2016 and 1HFY2015 respectively. Resulted from the fall of coal products price and soft demand, revenue from the coal segment was approximately US\$0 and approximately US\$11.2 million for 1HFY2016 and 1HFY2015, where accounted for approximately 0% and 7.1% of the Group’s total revenue for 1HFY2016 and 1HFY2015 respectively.

In terms of geographical contribution, North Asia market, our main focused market, contributed revenues of approximately US\$47.7 million of the Group’s total revenue for 1HFY2016, compared to approximately US\$141.2 million for 1HFY2015, accounted for approximately 69.8% and approximately 89.1% of total revenue for 1HFY2016 and 1HFY2015. Revenue derived from South East Asia market increased from approximately US\$9.8 million for 1HFY2015 to approximately US\$11.5 million for 1HFY2016. The South East Asia market accounted for approximately 6.2% and approximately 16.8% of Group’s total revenue for 1HFY2015 and 1HFY2016 respectively. Other regions contributed approximately US\$9.1 million revenue, representing approximately 13.3% of the Group’s total revenue for 1HFY2016, while accounted for approximately US\$7.5 million or approximately 4.7% for 1HFY2015.

Management Discussion and Analysis

Gross profit/(loss)

The Group's gross profit was approximately US\$576,000 for 1HFY2016 as compared with gross loss of approximately US\$1.1 million for 1HFY2015, which was the international steel trade business contributes to the group and the gross profit made covered the loss from the tinplate processing costs for Tianjin tinplate processing plant and production stopping for tinplate manufacturing during the reported period.

Other income

Other income decreased from approximately US\$1.8 million for 1HFY2015 to approximately US\$1.1 million for 1HFY2016. Such a decrease was mainly due to approximately US\$256,000 decrease in bank interest income for 1HFY2016 for revoking of the loan guarantee outside deposit in PRC.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately US\$1.6 million from approximately US\$2.8 million for 1HFY2015 to approximately US\$1.2 million for 1HFY2016, such a decrease was mainly due to the freight charges decreased approximately 95.2% from approximately US\$1.9 million for 1HFY2015 to approximately US\$92,000 with drop of international trade for 1HFY2016.

Administrative expenses

Administration expenses increased from approximately US\$4.3 million for 1HFY2015 to approximately US\$5.8 million for 1HFY2016. Such an increase was primarily due to the increase in depreciation of property, plant and equipment as a result of reclassification of construction in progress to property, plant and equipment and has to provide depreciation for 1HFY2016.

Other operating expenses

There is notable exchange losses of US\$1.1 million recorded in the current report period, because the Group borrowed heavily in CNY currency and the fluctuation for CNY devaluation with comparing to HKD & US\$ for the period to 1HFY2016.

Finance costs

The finance costs reduced by US\$1.4 million from approximately US\$3.5 million for 1HFY2015 to approximately US\$2.1 million in 1HFY2016, which was primarily due to repayment of revolving loan of US\$10.8 million during 1HFY2016.

Review of financial position and cash flow

By facing the cash flow shortage, the Group has adopted a conservative and prudent approach to manage its businesses, trying to repay the bank loans so as to reduce the borrowing interest burden while go on running the core business efficiently.

Management Discussion and Analysis

Inventories

With funds re-steaming, the Group speeds up to sell the inventories held and reduced them by approximately US\$732,000 from approximately US\$3.9 million as at 30 April 2015 to approximately US\$3.2 million as at 31 October 2015.

Trade and other receivables

Trade and other receivables increased from approximately US\$42.4 million as at 30 April 2015 to approximately US\$57.8 million as at 31 October 2015. Distribution of trade receivables and other receivables were approximately 53.6% (approximately US\$31.0 million) and approximately 46.4% (approximately US\$26.8 million) of total receivables as at 31 October 2015, compared to approximately 34.9% (approximately US\$14.8 million) and approximately 65.1% (approximately US\$27.6 million) of total receivables as at 30 April 2015. The increase of trade and bills receivable as at 31 October 2015 due to increased bills receivables were recorded during the reported period.

Trade and other payables

Trade and other payables increased from approximately US\$63.5 million as at 30 April 2015 to approximately US\$72.6 million as at 31 October 2015. Distribution of trade payables and other payables were approximately 81.8% (approximately US\$59.4 million) and approximately 18.2% (approximately US\$13.2 million) of total payable as at 31 October 2015 compared to approximately 76.9% (approximately US\$48.8 million) and approximately 23.1% (approximately US\$14.7 million) of total payable as at 30 April 2015. The increase of trade and other payable was mainly due to the increase of trade and bills payable which was increased in line with trade and bills receivable.

FUTURE PROSPECTS

During the recent months, the Group has achieved major milestones in its development. Mr. Zhu has completed the acquisition of controlling interests in the Company through his wholly-owned company, Golden Star Group Limited on 5 October 2015 thereby becoming the controlling shareholder of the Group. With the general offer closed on 27 November 2015 and the new directors on board, the Group has officially started a new chapter in the development history.

Going forward, we have full confidence to maintain the steady development of our business, as we inject new ideas and momentum to the Group and chart it on a new course.

Looking ahead, the Group anticipates an improved, though very mixed, operating environment. In order to respond to the market, we aim to develop the main drivers of our group, namely international trading business and tinplate manufacturing with vigilant costs control. The Group will keep an eye on and capture any new development opportunities.

Management Discussion and Analysis

Trading Business

Trend of iron ore continue to decline this year due to oversupply while demand remains weak. The Group expects the iron ore prices will remain at low level. Given the aforesaid factor, the Group will make use of all viable procurements and marketing opportunities while utilise of different marketing platforms and operating prudently to achieve good results.

The Group expects steel export from China will continue to be profitable accompanied with growing international demands and stabilised markets. If urbanisation project continues, accompanied by a steady growing economy and a growing middle class, the demand for steel is expected to stimulate in the coming year. Global supply and demand for steel will largely follow economic growth recovery around the world.

Coal import to China will be difficult as local price is low and there is oversupply.

Tinplate Manufacturing Project

Currently, the tinplate manufacturing project, which has suspended its operation, is undergoing restructuring of the credit facilities to reduce fixed cost of the company and will restart full operation after clearance of this.

Once restart, the aforesaid tinplate manufacturing project in Jiangsu will continue to focus on export markets, directly to end-users in canning sectors.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's borrowings decreased by approximately US\$7.0 million from approximately US\$77.3 million as at 30 April 2015 to approximately US\$70.3 million as at 31 October 2015. Borrowings related to the Jiangsu manufacturing plant almost remained unchanged at approximately US\$39.2 million as at 31 October 2015, representing approximately 55.8% of total borrowings as at 31 October 2015, the decrease loan mainly came from repayment of the loan guarantee outside at US\$10.8 million and meanwhile the Group increased US\$3.8 million loan from the related party.

An aggregate of cash and cash equivalents and pledged bank deposits decreased by approximately US\$17.3 million from approximately US\$33.5 million as at 30 April 2015 to approximately US\$16.2 million as at 31 October 2015.

Total cash and bank balance and pledged bank deposits represents approximately 208.4% of the Group's net assets value as at 31 October 2015 (approximately 202.4% of net assets value as at 30 April 2015).

Management Discussion and Analysis

MAJOR CORPORATE EVENTS

As stated in the holding announcement made by the Company on 17 August 2015, the update announcement made by Golden Star Group Limited (the “Offeror” or “Golden Star Group Limited”) (which is a company incorporated in the British Virgin Islands (the “BVI”) with limited liability) on 1 September 2015 and the announcements jointly released by the Company and the Offeror on the SEHK and SGX-ST on 24 September 2015 and 25 September 2015 respectively, in relation to, amongst others, the entering into a Sale and Purchase Agreement on 14 August 2015 by the Offeror and the vendors (the “Vendors”) (defined below), pursuant to which the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 93,723,437 sale shares, representing approximately 54.87% of the issued share capital of the Company at a cash consideration of HK\$351,931,505.93, equivalent to approximately HK\$3.755 per sale share.

The Vendors were New Page Investments Limited (a company incorporated in the BVI with limited liability), Mr. Yu, the former executive Chairman of the Company who has resigned on 27 November 2015 after 4:00 p.m. and Mr. Chow (the chief executive officer and executive director of the Company), the beneficial owners of 82,983,750, 8,271,531 and 2,468,156 sale shares respectively, representing approximately 48.58%, 4.84% and 1.45% of the issued shares of the Company prior to completion of the aforesaid transaction which took place on 5 October 2015.

Immediately following the completion of the aforesaid transaction which took place on 5 October 2015, the Offeror became the Company’s immediate and ultimate holding company and the Offeror owned or controlled an aggregate of 93,723,437 shares, representing approximately 54.87% of the issued share capital of the Company.

On 25 September 2015, Mr. Zhu, the sole shareholder of the Offeror and the executive Chairman of the Company, acquired 700,000 shares, representing approximately 0.41% of the issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers and Rule 14.1(a) of the Singapore Code on Takeovers and Mergers, the Offeror had made a mandatory unconditional cash offer for all the issued shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it, i.e. the offer shares (the “Offer”). The Offer, as made, was unconditional in all respects.

The principal terms of the Offer are set out under the section headed “MANDATORY UNCONDITIONAL CASH OFFER” in the joint announcement dated 5 October 2015.

The Offer closed at 4:00 p.m. on Friday, 27 November 2015. In accordance with the announcements issued jointly by the Company and by the Offeror on 13 November 2015 in relation to no extension of closing date, the Offeror did not revise or extend the offer. As at 4:00 p.m. on Friday, 27 November 2015, being the latest time for acceptance of the Offer, the Offeror has received valid acceptances in respect of a total of 37,100,231 offer shares under the Offer, representing approximately 21.72% of the entire issued share capital of the Company.

Management Discussion and Analysis

Details of the aforesaid transactions were disclosed in the announcements dated 24 September 2015, 25 September 2015, 5 October 2015, 23 October 2015, 30 October 2015, 13 November 2015 and 27 November 2015.

As at the date of this interim report, the Company's executive Chairman Mr. Zhu, has a direct beneficial interest of 700,000 shares of the Company and an indirect beneficial interest, through his wholly owned company, the Offeror, of 130,823,668 shares of the Company.

Since the minimum public float requirement of 25% under Rule 8.08(1)(a) of the HK Listing Rules is not satisfied, the Company has made an application to the SEHK for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the HK Listing Rules. On 11 December 2015, the SEHK has granted the aforesaid waiver to the Company for a period commencing from 27 November 2015 to 26 February 2016, subject to the release of an announcement regarding the restoration of public float, which has been published by the Company on 14 December 2015. The Offeror and the Company will use their best endeavours to restore the required minimum public float as early as practicable. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

General Information

MAJOR CORPORATE EVENTS

The major corporate events is set out on pages 13 to 14 of this interim report.

DIRECTORS

The Directors during the period and up to the date of this interim report is set out on pages 4 to 7 and page 47 of this interim report.

Details of the appointment and resignation of directors were set out in the announcements of the Company dated 30 October 2015 and 27 November 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 October 2015 and as at the date of this interim report, the interests and short positions of the Directors and chief executives 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") set out in Appendix 10 of the HK Listing Rules or which were required to be entered in the register required to be kept under Section 352 of the SFO were as follows:

As at 31 October 2015:

Name of Director	Long/Short		Personal interest	Family interest	Corporate interest	Other interest	Approximate percentage of the issued share capital of the	
	Position	Capacity					Total	Company ^(Note 1)
Mr. Zhu	Long	Interest in a controlled corporation	700,000	-	94,722,937 ^(Note 2)	-	95,422,937	55.87%
Mr. Foo	Long	Beneficial owner	17,500 ^(Note 3)	-	-	-	17,500	0.01%

General Information

As at the date of this interim report:

Name of Director	Long/Short		Personal interest	Family interest	Corporate interest	Other interest	Approximate percentage of the issued share capital of the Company ^(Note 1)	
	Position	Capacity					Total	Company
Mr. Zhu	Long	Interest in a controlled corporation	700,000	-	130,823,668 ^(Note 4)	-	131,523,668	77%

Note 1: As at 31 October 2015 and as at the date of this interim report, the Company had 170,804,269 ordinary shares in issue.

Note 2: The 94,722,937 shares are held by Golden Star Group Limited, a holding company of the Company, which is wholly owned by Mr. Zhu. By virtue of Part XV of the SFO, Mr. Zhu is deemed to be interested in all the shares held by the Offeror.

Note 3: Mr. Foo had accepted the Offer on 5 November 2015 and ceased to have interest in 17,500 shares of the Company on 12 November 2015.

Note 4: The 130,823,668 shares are held by the Offeror following the completion of the Offer on 27 November 2015 after 4:00 p.m.

Save as disclosed above, as at 31 October 2015 and as at the date of this interim report, 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.

General Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 October 2015 and as at the date of this interim report, 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:

As at 31 October 2015:

Name of Shareholder	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
Golden Star Group Limited ^(Note 1)	Long	Beneficial owner	94,722,937	55.46%
Athos Asia Event Driven Master Fund ("AAED")	Long	Beneficial owner	12,320,000 ^(Note 2)	7.21%
Athos Capital Limited ("ACL")	Long	Investment Manager	12,320,000 ^(Note 2)	7.21%
Moskey Matthew Love ("Moskey")	Long	Controlling interest in corporation	12,320,000 ^(Note 2)	7.21%

As at the date of this interim report:

Name of Shareholder	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
Golden Star Group Limited ^(Note 1)	Long	Beneficial owner	130,823,668	76.59%

Note 1: Golden Star Group Limited is wholly owned by Mr. Zhu. By virtue of part XV of the SFO, Mr. Zhu is deemed to be interested in the shares held by Golden Star Group Limited.

Note 2: These shares were 100% held by AAED with ACL as investment manager. Moskey holds 45% of the issued share capital of ACL. Accordingly, each of ACL and Moskey is deemed to have interests in the 12,320,000 shares of the Company held by AAED pursuant to the SFO.

On 27 November 2015, AAED, ACL and Moskey ceased to have all interest of shares in the Company.

Save as disclosed above, as at 31 October 2015 and as at the date of this interim report, 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.

General Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibility to its shareholders and protecting and enhancing shareholder value through solid corporate governance. During 1HFY2016, the Company has complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**HK CG Code**”) contained in Appendix 14 of the HK Listing Rules, save that:

- (i) all the independent non-executive Directors of the Company were not appointed for a specific term as stipulated under the Code Provision A.4.1 of the HK CG Code which states that non-executive Directors should be appointed for a specific term, subject to re-election. However, all the independent non-executive Directors are subject to retirement by rotation and re-election at annual general meeting according to the Articles of Association of the Company;
- (ii) the Company did not have formal letters of appointment for independent non-executive Directors as stipulated under the Code Provision D.1.4 of the HK CG Code which states that issuers should have formal letter of appointment for Directors setting out the key terms and conditions of their appointment. However, the terms of references have set out the work scope of the Board’s committees and delegations were made by the Board in respect of the responsibilities of the independent non-executive Directors in such Board’s committees; and
- (iii) Mr. Tse, (the former independent non-executive Director of the Company who has resigned on 27 November 2015 after 4:00 p.m.) could not attend the annual general meeting held on 31 August 2015 (the “**AGM 2015**”) as stipulated under the Code Provision A.6.7 of the HK CG Code, which states that independent non-executive Directors should attend general meetings. However, at the AGM 2015, there were executive Directors and all other independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders.

Upon completion of the mandatory unconditional cash offer as disclosed in the Company’s announcement dated 27 November 2015 after 4:00 p.m., Mr. William Robert Majcher (“**Mr. Majcher**”) has been appointed as an independent non-executive Director of the Company under a letter of appointment for a term of three years from 27 November 2015 and hence his appointment has complied with Code Provisions A.4.1 and D.1.4 of the HK CG Code.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code 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 1HFY2016.

General Information

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 for 1HFY2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for 1HFY2016 (1HFY2015: Nil).

LOANS AND BORROWINGS

Details of the Group's loans and borrowings at the end of reporting period are set out in Note 16 to the condensed consolidated interim financial statements of this interim report.

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 18 to the condensed consolidated interim financial statements of this interim report.

FOREIGN EXCHANGE EXPOSURE

Sales and purchases of the Group were transacted in United States dollars, Hong Kong dollars and Renminbi. 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 31 October 2015 are shown in Note 21 to the condensed consolidated interim financial statements of this interim report.

REMUNERATION COMMITTEE

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

General Information

AUDIT COMMITTEE

The unaudited interim results for 1HFY2016 have not been reviewed by the auditor of the Company. The Audit Committee of the Company has reviewed the Group's unaudited interim results for 1HFY2016, including the accounting principles and practices adopted by the Group, and has discussed and reviewed the financial reporting matters.

On behalf of the Board

Zhu Jun

Executive Chairman

Hong Kong, 14 December 2015

Condensed Consolidated Income Statement

For the six months ended 31 October 2015

	Note	Six months ended 31 October	
		2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Revenue	4	68,349	158,518
Cost of sales		(67,773)	(159,602)
Gross profit/(loss)		576	(1,084)
Other income	6	1,116	1,802
Distribution and selling expenses	7	(1,172)	(2,813)
Administrative expenses		(5,790)	(4,285)
Other operating expenses		(912)	(65)
Finance costs	8	(2,149)	(3,540)
Loss before tax	9	(8,331)	(9,985)
Income tax expenses	10	(25)	(43)
Loss for the period		(8,356)	(10,028)
Attributed to:			
Owners of the Company		(7,754)	(9,137)
Non-controlling interests		(602)	(891)
Loss for the period		(8,356)	(10,028)
Loss per share		US Cents	US Cents
– Basic	11	(4.54)	(5.35)
– Diluted	11	(4.54)	(5.35)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 October 2015

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Loss for the period	(8,356)	(10,028)
Other comprehensive (expenses)/income for the period, net of tax:		
Exchange differences on translation of the Group's overseas operations	(423)	48
Total comprehensive expenses for the period	(8,779)	(9,980)
Attributable to:		
Owners of the Company	(8,150)	(8,969)
Non-controlling interests	(629)	(1,011)
Total comprehensive expenses for the period	(8,779)	(9,980)

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 2015 and 31 October 2014.

Condensed Consolidated Statement of Financial Position

As at 31 October 2015

	Note	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	69,287	73,131
Land use rights		5,422	5,701
Goodwill		4	4
		74,713	78,836
Current assets			
Inventories		3,188	3,920
Trade and other receivables	14	57,841	42,373
Derivative financial instruments		–	11
Pledged bank deposits		14,221	32,384
Cash and cash equivalents		1,937	1,074
		77,187	79,762
Total assets		151,900	158,598
Non-current liabilities			
Borrowings	16	17,080	18,445
Deferred income		590	964
		17,670	19,409

Condensed Consolidated Statement of Financial Position

As at 31 October 2015

	Note	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Current liabilities			
Trade and other payables	15	72,617	63,451
Deferred income		557	310
Borrowings	16	53,230	58,821
Tax payable		73	75
		126,477	122,657
Total liabilities		144,147	142,066
Net assets			
		7,753	16,532
Equity			
Share capital		32,239	32,239
Accumulated losses		(30,238)	(22,446)
Foreign currency translation reserve		1,043	1,439
Statutory reserve		33	33
Other reserves		2,870	2,832
Total equity attributable to owners of the Company		5,947	14,097
Non-controlling interests		1,806	2,435
Total equity		7,753	16,532

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2015

	Equity attributable to owners of the Company							
	Share capital	Accumulated losses	Foreign currency translation reserve	Statutory reserve	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 May 2014 (Audited)	32,239	(191)	1,259	33	2,680	36,020	4,897	40,917
Total comprehensive (expenses)/income for the period	-	(9,137)	168	-	-	(8,969)	(1,011)	(9,980)
Balance at 31 October 2014 (Unaudited)	32,239	(9,328)	1,427	33	2,680	27,051	3,886	30,937
Balance at 1 May 2015 (Audited)	32,239	(22,446)	1,439	33	2,832	14,097	2,435	16,532
Transfer to other reserve	-	(38)	-	-	38	-	-	-
Total comprehensive expenses for the period	-	(7,754)	(396)	-	-	(8,150)	(629)	(8,779)
Balance at 31 October 2015 (Unaudited)	32,239	(30,238)	1,043	33	2,870	5,947	1,806	7,753

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 October 2015

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Net cash used in operating activities	(17,686)	(1,832)
Net cash used in investing activities	(494)	(697)
Net cash generated from financing activities	19,043	3,007
Net increase in cash and cash equivalents	863	478
Cash and cash equivalents at beginning of the period	1,074	12,780
Effect of currency translation on cash and cash equivalents	–	4
Cash and cash equivalents at end of the period	1,937	13,262
Cash and cash equivalents are represented by:		
Cash and bank balances	1,937	13,262

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

1. Corporate information

The Company is a limited liability company incorporated in Singapore on 29 June 1989 under the Companies Act (Chapter 50) of the Singapore and its shares have been listed on the Main Board of the SGX-ST since 28 April 2008 and dual-listed on the Main board of the SEHK since 6 December 2010.

The registered office of the Company is located at 24 Raffles Place, #10-05 Clifford Centre, Singapore 048621. The headquarter and principal place of business of the Group is at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in (1) trading and distribution of iron ore, coal and steel products; and (2) manufacturing, sales and distribution of electrolytic tinplate and related products for metal packaging industry in China.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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 2015.

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 which are stated at their fair values.

The Group incurred an unaudited net loss of US\$8,356,000 for the six months ended 31 October 2015 (six months ended 31 October 2014: loss of US\$10,028,000). As at the date of this interim report, the Group is in negative working capital and net current liabilities position and these facts indicate the existence of material uncertainty that may cast doubt about the Group's ability to continue as a going concern.

New Page Investments Limited continue the financial support to the Group to procure the necessary finance and support for a period from 1 May 2015 to 30 April 2016.

Overall finance cost will be reduced due to the aggregate repayment of HK\$86,100,000 to the banks as at the date of this interim report and hence the Group's borrowing burden is reduced accordingly and should improve the operation as well.

The management believes the Group is able to generate sufficient cash flows from its operations to meet the current and future obligations.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

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 2015 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	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Sales of goods		
Sales of iron ore, steel products and coal	55,585	120,290
Tinplate manufacturing	816	28,644
Tinplate processing	11,948	9,584
	68,349	158,518

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

5. Segment information

The Group is organised into business units based on its business segments purposes. The reportable segments are trading, tinplate manufacturing and tinplate processing. 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 three reportable segments as follows:

Trading

Trading and distribution of a comprehensive product portfolio in the areas of:

- i) Iron ore;
- ii) Coal; and
- iii) Steel products which include semi-finished steel products (such as billets and slabs used for producing deformed steel bars), finished steel products (including long products: such as deformed bars, wire rods, tube, section, angle channels; flat products: such as hot rolled coils and cold rolled coils) and others (such as galvanised steel coils and pre-painted galvanised steel coils).

Tinplate manufacturing

Manufacturing and trading of tinning line products, including tinplate, tin-free steel and scraps.

Tinplate processing

Processing, distribution and sales of tinplate products through variety types of processing (such as slitting, cutting and printing).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

5. Segment information (Continued)

(i) Business segments (Continued)

For the six months ended 31 October 2015 (Unaudited)

	Trading US\$'000 (Unaudited)	Tinplate manufacturing US\$'000 (Unaudited)	Tinplate processing US\$'000 (Unaudited)	Eliminations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue to					
– sales to external customers	55,585	816	11,948	–	68,349
– intersegment sales	–	278	–	(278)	–
	55,585	1,094	11,948	(278)	68,349
Segment results	1,111	(340)	(195)	–	576
Other income	1,962	115	222	(1,183)	1,116
Other costs	(5,475)	(3,416)	(166)	1,183	(7,874)
Finance costs	(445)	(1,042)	(662)	–	(2,149)
Loss before tax	(2,847)	(4,683)	(801)	–	(8,331)
Income tax expenses	(4)	(21)	–	–	(25)
Loss for the period	(2,851)	(4,704)	(801)	–	(8,356)
<i>As at 31 October 2015 (Unaudited)</i>					
Assets and liabilities					
Segment assets	257,303	100,927	33,926	(240,256)	151,900
Total assets	257,303	100,927	33,926	(240,256)	151,900
Segment liabilities	145,238	121,420	37,714	(160,225)	144,147
Total liabilities	145,238	121,420	37,714	(160,225)	144,147
<i>For the six months ended 31 October 2015 (Unaudited)</i>					
Other segment information					
Capital expenditure	–	505	–	–	505
Depreciation and amortisation	179	2,925	51	–	3,155
Non-cash item other than depreciation and amortisation	–	–	–	–	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

5. Segment information (Continued)

(i) Business segments (Continued)

For the six months ended 31 October 2014 (Unaudited)

	Trading US\$'000 (Unaudited)	Tinplate manufacturing US\$'000 (Unaudited)	Tinplate processing US\$'000 (Unaudited)	Eliminations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue to					
– sales to external customers	120,290	28,644	9,584	–	158,518
– intersegment sales	45,626	26,651	–	(72,277)	–
	165,916	55,295	9,584	(72,277)	158,518
Segment results	1,069	(1,487)	(770)	(2,407)	(3,595)
Other income	443	1,339	20	–	1,802
Other costs	(3,272)	(1,054)	(326)	–	(4,652)
Finance costs	(1,301)	(1,634)	(605)	–	(3,540)
Loss before tax	(3,061)	(2,836)	(1,681)	(2,407)	(9,985)
Income tax expenses	(26)	(17)	–	–	(43)
Loss for the period	(3,087)	(2,853)	(1,681)	(2,407)	(10,028)

As at 30 April 2015 (Audited)

Assets and liabilities

Segment assets	185,444	113,693	42,251	(182,790)	158,598
Total assets	185,444	113,693	42,251	(182,790)	158,598
Segment liabilities	70,459	129,200	45,193	(102,786)	142,066
Total liabilities	70,459	129,200	45,193	(102,786)	142,066

*For the six months ended
31 October 2014 (Unaudited)*

Other segment information

Capital expenditure	–	569	65	–	634
Depreciation and amortisation	184	1,316	117	–	1,617
Non-cash items other than depreciation and amortisation	81	(137)	(17)	–	(73)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

5. Segment information (Continued)

(ii) Geographical information

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

The Group's operations are located in 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	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
North Asia (Note i)	47,736	141,235
South East Asia (Note ii)	11,512	9,777
India	–	23
Others (Note iii)	9,101	7,483
	68,349	158,518

Non-current assets by geographical markets:

	31 October 2015 US\$'000 (Unaudited)	30 April 2015 US\$'000 (Audited)
	North Asia (Note i)	74,713
South East Asia (Note ii)	–	3
	74,713	78,836

Notes:

- (i) Included Hong Kong, Macau and the PRC, etc, where approximately 69.8% (six months ended 31 October 2014: approximately 89.1%) of the Group's revenue derived from these areas with majority in China.
- (ii) Included Philippines, Singapore, Thailand, Indonesia, Vietnam and Malaysia, etc, where approximately 16.8% (six months ended 31 October 2014: approximately 6.2%) of the Group's revenue derived from these areas with majority in Thailand.
- (iii) Included Brazil, Costa Rica, Italy, Belgium and Germany, etc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

6. Other income

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Amortisation of deferred income	69	154
Demurrage income	–	11
Exchange gains	–	7
Freight income	23	79
Government grants and subsidies	–	666
Fair value gains on derivative financial instruments	–	11
Sundry income	760	354
	852	1,282
Finance income		
– bank interest income	264	520
Total	1,116	1,802

7. Distribution and selling expenses

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Distribution agency fee	1,047	746
Freight charges	92	1,905
Freight insurance	4	28
Inspection fees	–	44
Others	10	35
Port handling charges	19	43
Shipping handling charges	–	1
Warehouse charges	–	11
	1,172	2,813

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

8. Finance costs

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Bank charges	206	408
Interest on bank loans	1,943	3,132
	2,149	3,540

9. Loss before taxation

Loss before tax is stated after charging/(crediting) the followings:

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Amortisation of land use rights	54	54
Depreciation of property, plant and equipment	3,101	1,563
Fair value losses/(gains) on derivative financial instruments	11	(11)
Losses on disposal of property, plant and equipment	–	26
Material costs recognised as an expense in cost of sales	66,935	149,975
Net realised (gains)/losses on derivative financial instruments	(11)	65
Rental expenses	86	130
Staff costs (including directors' emoluments)	2,599	2,428

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

10. Income tax

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	–	–
Current tax – Overseas Income Tax		
Provision for the period	25	23
Over-provision in respect of prior periods	–	20
	25	43

- (a) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.
- (b) Tax on profits assessable in Singapore has been calculated at 17% for the six months ended 31 October 2015 (six months ended 31 October 2014: 17%).
- (c) No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived in Hong Kong for the six months ended 31 October 2015 (six months ended 31 October 2014: Nil).
- (d) No provision for PRC enterprise income tax has been made as the Group has no assessable profit derived in PRC for the six months ended 31 October 2015 (six months ended 31 October 2014: 25%).
- (e) Pursuant to the rules and regulations of the British Virgin Islands, Republic of Seychelles and Dubai United Arab Emirates, the Group is not subject to any income tax in these jurisdictions.
- (f) As at 31 October 2015, the Group has unrecognised tax losses of approximately US\$48,249,000 (unaudited) (30 April 2015 (audited): US\$39,561,000) that are available for carrying 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 assets of approximately US\$10,803,000 (unaudited) (30 April 2015 (audited): US\$8,934,000) have 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 in the foreseeable future.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

11. Loss per share

Basic and diluted loss per share are calculated based on the Group's loss for the period attributable to the owners of the Company divided by the weighted average number of ordinary shares outstanding during the end of each reporting period.

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Loss for the period attributable to owners of the Company	(7,754)	(9,137)

	Number of ordinary shares	
	'000 (Unaudited)	'000 (Unaudited)
Weighted average number of ordinary shares	170,804	170,804

There were no potentially dilutive ordinary shares in existence during the six months ended 31 October 2015 and 2014 and therefore the diluted loss per shares amounts for those periods were the same as the basic loss per share amounts.

12. Dividend

No interim dividend was proposed by the Directors for the six months ended 31 October 2015 and 2014.

13. Property, plant and equipment

During the six months ended 31 October 2015, the Group acquired approximately US\$505,000 of property, plant and equipment (six months ended 31 October 2014: approximately US\$430,000 spent on acquiring items of property, plant and equipment).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

14. Trade and other receivables

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Advance payment to suppliers	11,232	10,330
Trade and bills receivables	30,991	14,790
	42,223	25,120
Deposits	714	568
Temporary payment	54	–
Prepayments	1,465	1,484
Other receivables	12,155	11,894
Advance payment for property, plant and equipment	1,230	2,543
Amount due from a related party (Note)	–	3,271
	15,618	19,760
Total gross receivables	57,841	44,880
Less: allowance for impairment of other receivables	–	(2,507)
	57,841	42,373

Note: The receivables from a related party are unsecured, interest-free and repayable on demand.

The related party above refers to a company controlled by an entity having a significant influence on a subsidiary.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

14. Trade and other receivables (Continued)

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

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Current	1,355	8,529
Less than 1 month past due	14,726	5
1 to 3 months past due	10,746	1,946
3 to 12 months past due	1,824	3,515
Over 12 months past due	2,340	795
Amount past due but not impaired	29,636	6,261
	30,991	14,790

The Group conducts settlement by letter of credit and deposits in advance for most international trading and the PRC domestic trading and distribution.

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 2015, trade and bills receivables amounted to US\$29,540,000 (unaudited) (30 April 2015 (audited): approximately US\$2,345,000) are pledged as securities for banking facilities granted to the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

15. Trade and other payables

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Trade and bills payables	59,362	48,798
Sales deposits received	2,567	2,531
Accrued operating expenses	5,090	4,406
Other payables	1,546	5,759
Other payables for property, plant and equipment	3,801	1,643
Non-trade balances due to a non-controlling shareholder (Note)	251	314
	13,255	14,653
	72,617	63,451

Note: The amounts payable to non-controlling shareholder is 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 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Due within 3 months or on demand	48,690	8,635
Due after 3 months but within 6 months	1,479	2,707
Due after 6 months but within 12 months	6,053	29,565
Due more than 12 months	3,140	7,891
	59,362	48,798

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

16. Borrowings

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
<i>Repayable more than one year</i>		
Other loans	17,080	18,445
<i>Repayable within one year or on demand</i>		
Bank loan	22,500	22,750
Working capital loans	26,407	35,513
Mortgage loan	507	558
Other loans	3,816	–
	53,230	58,821
Total	70,310	77,266

The Group's borrowings for trading operations, including working capital loans and mortgage loan, are secured by way of:

- (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.

The Group's bank loan granted to one of the subsidiaries are secured by way of:

- (i) legal pledge of equity interest agreement, escrow account agreement, insurance agreement and receivables agreements;
- (ii) legal pledge of land, construction in progress, plant and equipment;
- (iii) share charge on a subsidiary;
- (iv) floating mortgage; and
- (v) corporate guarantees of the Company.

Other loans are represented by loans from a director, loans from a related party, loans from New Page Investments Limited and other borrowing.

Other loan repayable more than one year is unsecured, interest free and not repayable within 12 months from the end of the reporting period, while that repayable within one year is unsecured, interest free and no fixed repayable term.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

16. Borrowings (Continued)

Bank loan was repayable within 24 months from December 2014, however, this loan included repayable on demand clause.

The Group is the guarantor of the bank loan from China Citic Bank International (the “**Lender**”) to Novowell ETP Limited (the “**Borrower**”) and the loan is subject to various covenantal clauses.

At the end of the reporting period from 1 May 2015 to 31 October 2015, total bank loan outstanding to the Lender amounted to US\$22,500,000 as at 31 October 2015. As at 30 April 2015, the total amount outstanding was US\$22,750,000 (audited) .

Due to breaches of certain covenants, the outstanding loan to the Lender is reflected as a current liability as at 31 October 2015.

Subsequent to the end of the reporting period, the Group obtained a waiver letter dated 25 November 2015 (the “**Waiver Letter**”) from the Lender. The Borrower has fulfilled all the conditions as required by the Lender on 8 December 2015, including payment of HK\$76,200,000 to the Lender.

By virtue of the provisions contained in the Waiver Letter, the Lender waived certain breaches of the covenantal clauses under the loan agreement and has executed a deed of release of the guarantee dated 8 December 2015 in favour of the Company which was received by the Company on 16 December 2015.

The Group is in the process of negotiating a release of the corporate guarantee and certain breaches under the loan arrangement with Bank of China Ltd., Xinghua Sub-Branch.

Mortgage loan was repayable in 69 (30 April 2015 (audited): 75 months) equal monthly instalments of US\$8,786 (30 April 2015 (audited): US\$8,942) each commencing from 21 October 2015 (30 April 2015 (audited): 22 April 2015).

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

	As at 31 October 2015 % (Unaudited)	As at 30 April 2015 % (Audited)
Bank loan	5.30	5.05
Working capital loans	6.72	6.53
Mortgage loan	6.55	6.38

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

17. Share capital

	No. of ordinary shares	US\$
Balance at 1 May 2014, 30 April 2015, 1 May 2015 and 31 October 2015	170,804,269	32,238,531

There was no change in the Company's share capital during the six months ended 31 October 2015 and the year ended 30 April 2015.

18. 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 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Leasehold land and buildings	11,545	11,411
Construction work in progress	4,478	1,839
Plant and machinery	45,030	52,988
Land use rights	5,422	3,393
Inventories	2,593	1,051
Trade and bills receivables	29,540	2,345
Pledged bank deposits	14,221	32,384
Others	361	28,543
	113,190	133,954

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

19. Related party transactions

(a) Compensation of directors and key management personnel of the Group

	Six months ended 31 October	
	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Directors' fee	44	47
Salaries, wages, allowances and benefits in kind	622	571
Contributions to defined contribution plans	22	21
	688	639

- (b) In addition to information disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the following related party transactions took place between the Group and related parties during the financial period on terms mutually agreed by the parties concerned:

		Six months ended 31 October	
		2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Continuing			
Rental Office fee paid to related party	Note	20	59

Note: Charges paid to related parties for an office for daily operation of the Group.

(c) Related party balance

Details of the Group's outstanding balances with related parties are set out in the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

20. Commitments

(a) Capital commitments

Capital commitments not provided for in the consolidated financial statements:

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Expenditure for property, plant and equipment contracted for	11,509	13,349

(b) Operating lease commitments

At the end of the reporting period, the future aggregate minimum lease payments for office premises and staff quarters under non-cancellable operating lease are as follows:

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Not later than one year	158	58
Later than one year but not later than five years	18	–
	176	58

The Group is the lessee in respect of office premises and staff quarters held under operating leases. Most of the leases run for an initial period of one year, with an option to renew the lease when terms are renegotiated. The leases do not include contingent rental.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

21. 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

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Discounted bills with recourse supported by letter of credit	9,851	3,945

(b) Guarantees

	As at 31 October 2015 US\$'000 (Unaudited)	As at 30 April 2015 US\$'000 (Audited)
Corporate guarantees issued by the Company to banks in respect of banking facilities of subsidiaries	190,759	326,201
Amounts utilised by subsidiaries	54,781	66,738

The Company has issued corporate guarantees to banks for banking facilities granted to its subsidiaries. These guarantees are financial guarantee contracts 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 materials losses under these corporate guarantees.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 October 2015

22. Reconciliation between SFRSs and international financial reporting standards (“IFRSs”)

For the six months ended 31 October 2015, 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).

23. Comparative figures

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

Corporate Information

Board of Directors

Executive Directors

Mr. Zhu Jun (*executive Chairman*)
(appointed on 30 October 2015)
 Mr. Chow Kin Wa (*Chief Executive Officer*)
 Ms. Wang Jianqiao
(appointed on 30 October 2015)
 Mr. Yu Wing Keung, Dicky
(resigned on 27 November 2015 after 4:00 p.m.)
 Mr. Chow Kin San
(ceased on 6 August 2015)

Independent non-executive Directors

Mr. Tang Chi Loong
 Mr. Foo Teck Leong
 Mr. William Robert Majcher
(appointed on 27 November 2015 after 4:00 p.m.)
 Mr. Tse To Chung, Lawrence
(resigned on 27 November 2015 after 4:00 p.m.)

Audit Committee

Mr. Foo Teck Leong (*chairman*)
 Mr. Tang Chi Loong
 Mr. William Robert Majcher
(appointed on 27 November 2015 after 4:00 p.m.)
 Mr. Tse To Chung, Lawrence
(resigned on 27 November 2015 after 4:00 p.m.)

Nominating Committee

Mr. Zhu Jun (*chairman*)
(appointed on 30 October 2015)
 Mr. Tang Chi Loong
(re-designated from chairman of the nominating committee to member of the nominating committee on 30 October 2015)
 Mr. Foo Teck Leong
 Mr. William Robert Majcher
(appointed on 27 November 2015 after 4:00 p.m.)
 Mr. Tse To Chung, Lawrence
(resigned on 27 November 2015 after 4:00 p.m.)

Remuneration Committee

Mr. Tang Chi Loong (*chairman*)
 Mr. Zhu Jun
(appointed on 30 October 2015)
 Mr. Foo Teck Leong
 Mr. William Robert Majcher
(appointed on 27 November 2015 after 4:00 p.m.)
 Mr. Tse To Chung, Lawrence
(resigned on 27 November 2015 after 4:00 p.m.)

Chief Financial Officer

Mr. Kwok Tung Fai
(appointed on 18 December 2015)

Company Secretaries

Mr. Srikanth Rayaprolu
(appointed on 4 December 2015)
 Ms. Lau Jeanie
 Mr. Lee Hock Heng
(resigned on 20 September 2015)

Authorised Representatives

Mr. Kwok Tung Fai
 Ms. Lau Jeanie

Stock Code

Hong Kong Stock Code: 1048
 Singapore Stock Code: MR8

Company's Website

www.novogroupltd.com

Registered Office

On or before 31 August 2015:
 20 Malacca Street
 #06-00 Malacca Centre
 Singapore 048979
 Tel: (65) 6323 2213
 Fax: (65) 6323 2667

Since 1 September 2015:
 24 Raffles Place
 #10-05 Clifford Centre
 Singapore 048621
 Tel: (65) 6323 2213
 Fax: (65) 6323 2667

Corporate Information

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China Merchants Tower, Shun Tak Centre
168 Connaught Road Central
Hong Kong
Tel: (852) 2517 7989
Fax: (852) 2915 5122

Principal Share Registrar and Transfer Office in Singapore

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Branch Share Registrar and Transfer Office in Hong Kong

Boardroom Share Registrars (HK) Limited
31/F., 148 Electric Road, North Point, Hong Kong

Independent Auditor

Baker Tilly TFW LLP
600 North Bridge Road
#5-01 Parkview Square
Singapore 188778
Partner-in-Charge: Lim Kok Heng
(Appointed since the year ended 30 April 2014)

Principal Bankers

(Listed in alphabetical order)

BNP Paribas, Hong Kong Branch
Bank of China Ltd., Xinghua Sub-Branch
China CITIC Bank Corporation Limited, Taizhou Branch
China CITIC Bank Corporation Limited,
Xinghua Sub-Branch
China CITIC Bank International Limited
Jiangsu Xinghua Rural Commercial Bank Co. Ltd.,
Daduo Sub-Branch
Shanghai Pudong Development Bank Co. Ltd.,
Tianjin Branch
Wei Hai City Commercial Bank, Tianjin He Xi Sub-Branch