

NOVO GROUP LTD.

(Incorporated in Singapore)

(Co. Reg. No. 198902648H)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2015**PART I INFORMATION REQUIRED FOR SECOND QUARTER ANNOUNCEMENT**

The board of directors (the “Board”) of Novo Group Ltd. (the “Company”, and, together with its subsidiaries, the “Group”) wishes to announce the following unaudited results of the Group for the second quarter ended 31 October 2015.

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

Income Statement for the Second Quarter ended 31 October 2015

	The Group					
	3 months period ended			6 months period ended		
	31 October 2015	31 October 2014	Increase/ (Decrease) %	31 October 2015	31 October 2014	Increase/ (Decrease) %
	<i>US\$'000</i>	<i>US\$'000</i>	%	<i>US\$'000</i>	<i>US\$'000</i>	%
Revenue	45,454	95,911	(52.6%)	68,349	158,518	(56.9%)
Cost of sales	(44,840)	(96,547)	(53.6%)	(67,773)	(159,602)	(57.5%)
Gross profit/(loss)	614	(636)	196.5%	576	(1,084)	153.1%
Other income	396	1,033	(61.6%)	1,116	1,802	(38.1%)
Distribution and selling expenses	(602)	(917)	(34.4%)	(1,172)	(2,813)	(58.3%)
Administrative expenses	(2,997)	(1,952)	53.6%	(5,790)	(4,285)	35.1%
Other operating expenses	(1,155)	–	100%	(912)	(65)	1,303.1%
Finance costs	(1,228)	(2,121)	(42.1%)	(2,149)	(3,540)	(39.3%)
Loss before tax	(4,972)	(4,593)	8.3%	(8,331)	(9,985)	(16.6%)
Income tax expenses	(19)	(34)	(44.1%)	(25)	(43)	(41.9%)
Loss for the period	<u>(4,991)</u>	<u>(4,627)</u>	<u>(7.9%)</u>	<u>(8,356)</u>	<u>(10,028)</u>	<u>(16.7%)</u>
Attributable to:						
Owners of the Company	(4,588)	(4,079)		(7,754)	(9,137)	
Non-controlling interests	(403)	(548)		(602)	(891)	
	<u>(4,991)</u>	<u>(4,627)</u>		<u>(8,356)</u>	<u>(10,028)</u>	

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Consolidated Statement of Comprehensive Income

	The Group					
	3 months period ended			6 months period ended		
	31 October 2015	31 October 2014	Increase/ (Decrease)	31 October 2015	31 October 2014	Increase/ (Decrease)
<i>US\$'000</i>	<i>US\$'000</i>	%	<i>US\$'000</i>	<i>US\$'000</i>	%	
Loss for the period	(4,991)	(4,627)	(7.9%)	(8,356)	(10,028)	(16.7%)
Other comprehensive (expenses)/income for the period, net of tax						
Exchange differences on translation of the Group's overseas operations	<u>165</u>	<u>321</u>	48.6%	<u>(423)</u>	<u>48</u>	(981.3%)
Total Comprehensive expenses for the period	<u>(4,826)</u>	<u>(4,306)</u>		<u>(8,779)</u>	<u>(9,980)</u>	
Attributable to:						
Owners of the Company	<u>(4,826)</u>	<u>(3,757)</u>		<u>(8,150)</u>	<u>(8,969)</u>	
Non-controlling interests	<u>(427)</u>	<u>(549)</u>		<u>(629)</u>	<u>(1,011)</u>	
	<u>(5,253)</u>	<u>(4,306)</u>		<u>(8,779)</u>	<u>(9,980)</u>	

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(a)(ii) Notes to the Income Statement and Statement of Comprehensive Income

	The Group			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2015	2014	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Loss for the period is stated after charging/(crediting):				
Amortisation of deferred income	(1)	(77)	(69)	(154)
Amortisation of land use rights	27	27	54	54
Depreciation of property, plant and equipment	2,368	991	3,101	1,563
Fair value losses/(gains) on derivative financial instruments	–	(26)	11	(11)
Interest expense	1,064	1,965	1,943	3,132
Interest income	(23)	(226)	(264)	(520)
Losses on disposal of property, plant and equipment	–	–	–	26
Net exchange losses/(gains)	1,059	(62)	1,107	(7)
Net realised (gains)/losses on derivative financial instruments	–	(39)	(11)	65

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(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**Statements of Financial Position**

	The Group		The Company	
	As at 31 October 2015	As at 30 April 2015	As at 31 October 2015	As at 30 April 2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets				
Property, plant and equipment	69,287	73,131	–	–
Land use rights	5,422	5,701	–	–
Goodwill	4	4	–	–
Investments in subsidiaries	–	–	121,800	123,429
	<u>74,713</u>	<u>78,836</u>	<u>121,800</u>	<u>123,429</u>
Current assets				
Inventories	3,188	3,920	–	–
Trade and other receivables	57,841	42,373	17	23
Derivative financial instruments	–	11	–	–
Pledged bank deposit	14,221	32,384	–	–
Cash and cash equivalents	1,937	1,074	22	41
	<u>77,187</u>	<u>79,762</u>	<u>39</u>	<u>64</u>
Total assets	<u>151,900</u>	<u>158,598</u>	<u>121,839</u>	<u>123,493</u>
Non-current liabilities				
Borrowings	17,080	18,445	–	–
Deferred income	590	964	–	–
	<u>17,670</u>	<u>19,409</u>	<u>–</u>	<u>–</u>
Current liabilities				
Trade and other payables	72,617	63,451	11,122	12,369
Deferred income	557	310	–	–
Borrowings	53,230	58,821	–	–
Tax payable	73	75	–	–
	<u>126,477</u>	<u>122,657</u>	<u>11,122</u>	<u>12,369</u>
Total liabilities	<u>144,147</u>	<u>142,066</u>	<u>11,122</u>	<u>12,369</u>
Net assets	<u>7,753</u>	<u>16,532</u>	<u>110,717</u>	<u>111,124</u>

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	The Group		The Company	
	As at	As at	As at	As at
	31 October	30 April	31 October	30 April
	2015	2015	2015	2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Equity				
Share capital	32,239	32,239	108,739	108,739
Accumulated losses	(30,238)	(22,446)	(623)	(216)
Foreign currency translation reserve	1,043	1,439	–	–
Statutory reserve	33	33	–	–
Other reserve	2,870	2,832	2,601	2,601
Total equity attributable to owners of the Company	5,947	14,097	110,717	111,124
Non-controlling interests	1,806	2,435	–	–
Total equity	7,753	16,532	110,717	111,124

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

	<u>The Group</u>		<u>The Group</u>	
	<u>As at 31 October 2015</u>		<u>As at 30 April 2015</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amount repayable in one year or less	53,230	–	58,821	–
Amount repayable after one year	–	17,080	–	18,445

Details of any collateral:

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

- legal pledge on the Group's leasehold land and buildings;
- 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 the Company.

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

- legal pledge of equity interest agreement, escrow account agreement, insurance agreement and receivables agreements;
- legal pledge of leasehold land, construction in progress, plant and equipment;
- share charge on a subsidiary;
- floating mortgage; and
- 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.

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

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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 (audited) was US\$22,750,000.

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.

On 8 December 2015, by virtue of the provisions contained in the Waiver Letter, the Lender waived certain breaches of the covenantal clauses under the loan agreement and the Lender also agrees within 10 business days after 8 December 2015 to execute a deed of release of the guarantee in favour of the Company.

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

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(c) A statement of cash flows (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			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2015	2014	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cash flows from operating activities				
Loss before tax	(4,972)	(4,593)	(8,331)	(9,985)
Adjustments for:				
Amortisation of deferred income	(1)	(77)	(69)	(154)
Amortisation of land use right	27	27	54	54
Depreciation of property, plant and equipment	2,368	991	3,101	1,563
Fair value losses/(gains) on derivative financial instruments	–	(26)	11	(37)
Interest expense	1,064	1,965	1,943	3,132
Interest income	(23)	(226)	(264)	(520)
Losses on disposal of property, plant and equipment	–	–	–	26
Net realised (gains)/losses on derivative financial instruments	–	(39)	(11)	65
Written off of receivables	75	–	83	–
Written down inventories	2	–	(193)	–
Operating cash flow before movements in working capital	(1,460)	(1,978)	(3,676)	(5,856)
Inventories	25	2,093	925	4,021
Trade and other receivables	(12,503)	(17,213)	(15,548)	(29,529)
Trade and other payables	(2,430)	13,451	(35)	29,124
Currency translation differences	390	158	391	(42)
Cash used in operations	(15,978)	(3,489)	(17,943)	(2,282)
Income tax credit/(paid)	24	(37)	(7)	(71)
Interest income received	23	226	264	520
Net cash used in operating activities	(15,931)	(3,300)	(17,686)	(1,833)

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	The Group			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2015	2014	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	-	-	-	2
Purchase of property, plant and equipment	(386)	(187)	(505)	(254)
Acquisition of land use rights	-	-	-	(380)
Net cash received/(paid to) from realised derivative financial instruments	-	39	11	(65)
Net cash used in investing activities	(386)	(148)	(494)	(697)
Cash flows from financing activities				
Advance to New Page Investment Limited	-	-	(64)	-
Decrease/(increase) in fixed deposits and cash pledged	18,330	823	18,163	(5,129)
Net proceed from/(repayment of) short term borrowings	-	1,127	-	(1,106)
Drawdown of bank borrowings	24,545	1,500	27,512	18,344
Repayments of bank borrowings	(24,376)	(4,719)	(24,625)	(5,969)
Interest expense paid	(1,064)	(1,965)	(1,943)	(3,132)
Dividend paid	-	-	-	-
Net cash generated from/(used in) financing activities	17,435	(3,234)	19,043	3,008
Net decrease in cash and cash equivalents	1,118	(6,682)	863	478
Cash and cash equivalents at beginning of period	-	19,940	1,074	12,780
Effect of currency translation on cash and cash equivalents	-	4	-	4
Cash and cash equivalents at end of period	1,118	13,262	1,937	13,262
Cash and cash equivalents are represented by: Cash and bank balances	1,118	13,262	1,937	13,262

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- (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 capitalisation 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

Group	Share capital	Accumulated losses	Foreign currency translation reserve	Statutory reserve	Other Reserve	Equity attributable to equity holders 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	–	(9,137)	168	–	–	(8,969)	(1,011)	(9,980)
Balance at 31 October 2014 (Unaudited)	<u>32,239</u>	<u>(9,328)</u>	<u>1,427</u>	<u>33</u>	<u>2,680</u>	<u>27,051</u>	<u>3,886</u>	<u>30,937</u>
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)	<u>32,239</u>	<u>(30,238)</u>	<u>1,043</u>	<u>33</u>	<u>2,870</u>	<u>5,947</u>	<u>1,806</u>	<u>7,753</u>

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Company	Share capital	Retained earnings	Other Reserve	Total equity
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Balance at 1 May 2014 (Audited)	<u>108,739</u>	<u>594</u>	<u>2,601</u>	<u>111,935</u>
Total comprehensive expense for the period	<u>–</u>	<u>222</u>	<u>–</u>	<u>222</u>
Balance at 31 October 2014	<u><u>108,739</u></u>	<u><u>816</u></u>	<u><u>2,601</u></u>	<u><u>112,157</u></u>
Balance at 1 May 2015 (Audited)	<u>108,739</u>	<u>(216)</u>	<u>2,601</u>	<u>111,124</u>
Total comprehensive expense for the period	<u>–</u>	<u>(407)</u>	<u>–</u>	<u>(407)</u>
Balance at 31 October 2015	<u><u>108,739</u></u>	<u><u>(623)</u></u>	<u><u>2,601</u></u>	<u><u>110,717</u></u>

(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

There was no change in the Company's share capital since the end of the previous period reported on. As at 31 October 2015 and 31 July 2015, the Company's issued and fully paid-up shares were 170,804,269 ordinary shares with voting rights.

There were no outstanding convertibles as at 31 October 2015 and 31 October 2014.

There were neither treasury shares nor share option outstanding as at 31 October 2015 and 31 October 2014.

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- (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**

	The Company	
	As at 31 October 2015	As at 30 April 2015
Total number of issued shares, excluding treasury shares	170,804,269	170,804,269

There were no treasury shares as at 31 October 2015 and 30 April 2015.

- (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**

Not applicable.

- 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 auditor.

- 3. Where the figures have been audited or reviewed, the auditor's 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 April 2015, 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 on or after 1 May 2015.

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.

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6. (Loss)/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			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2015	2014	2015	2014
	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>
Loss per ordinary shares:				
(a) Based on weighted average number of ordinary shares on issued; and	(2.69)	(2.39)	(4.54)	(5.35)
(b) On a fully diluted basis	(2.69)	(2.39)	(4.54)	(5.35)
Details:				
Loss attributable to shareholders (stated in US\$'000)	(4,588)	(4,079)	(7,754)	(9,137)

	Number of shares (stated in '000)			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2015	2014	2015	2014
	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>
Weight average number of ordinary shares	170,804	170,804	170,804	170,804

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	As at	As at	As at
	31 October	30 April	31 October	30 April
	2015	2015	2015	2015
	<i>(in US cents)</i>	<i>(in US cents)</i>	<i>(in US cents)</i>	<i>(in US cents)</i>
Net assets value per ordinary share based on issued share capital of the issuer	4.5	9.7	64.8	65.5
Number of shares in issue as at end of period ('000)	170,804	170,804	170,804	170,804

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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

For the three months period ended 31 October 2015 ("2QFY2016"), 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 the first half of the financial year ending 2016 ("IHFY2016"), which comprised of approximately US\$3.4 million recorded in the first quarter and approximately US\$5 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 IHFY2016, a subsidiary of the Company, Novowell ETP Limited ("NWETP"), which is located in the People's Republic of China (the "PRC" or "China") within the tinplate manufacturing segment, has suspended its operations and yet to resume its operations as of the date of this announcement. 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 52.6% from approximately US\$95.9 million for the three months period ended 31 October 2014 ("2QFY2015") to approximately US\$45.5 million for 2QFY2016. 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.

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Revenue from international steel trade business, major business segment, accounted for approximately 85.7% of the Group's total revenue for both 2QFY2016 and 63.8% for 2QFY2015, representing of approximately US\$39.0 million and approximately US\$61.2 million for 2QFY2016 and 2QFY2015 respectively. Revenue from tinplate manufacturing contributed approximately 1.1% and approximately 14.1% for 2QFY2016 and 2QFY2015, representing approximately US\$482,000 and approximately US\$13.4 million for 2QFY2016 and 2QFY2015, respectively. Revenue from tinplate processing contributed approximately 13.0% and approximately 4.8% for 2QFY2016 and 2QFY2015, representing approximately US\$5.9 million and approximately US\$4.6 million for 2QFY2016 and 2QFY2015 respectively. Domestic trade business accounted for approximately 0.2% and approximately 8.1% for 2QFY2016 and 2QFY2015, representing approximately US\$87,000 and approximately US\$7.8 million for 2QFY2016 and 2QFY2015, respectively. Resulted from the fall of coal products price and soft demand, revenue from the coal segment was approximately US\$0 and approximately US\$8.9 million for 2QFY2016 and 2QFY2015, where accounted for approximately 0% and approximately 9.2% of the Group's total revenue for 2QFY2016 and 2QFY2015, respectively.

In terms of geographical contribution, North Asia market, our main focused market, contributed revenues of approximately US\$24.9 million of total revenue for 2QFY2016, compared to approximately US\$87.1 million for 2QFY2015, accounted for approximately 54.8% and approximately 90.8% of total revenue for 2QFY2016 and 2QFY2015. Revenue derived from South East Asia market increased from approximately US\$6.4 million for 2QFY2015 to approximately US\$11.5 million for 2QFY2016. The South East Asia market accounted for approximately 6.7% and approximately 25.3% of Group's total revenue for 2QFY2015 and 2QFY2016, respectively. Other regions contributed approximately US\$9.1 million revenue, representing approximately 19.9% of the Group's total revenue for 2QFY2016, while accounted for approximately US\$2.4 million or approximately 2.5% for 2QFY2015.

Gross profit/(loss)

The Group's gross profit was approximately US\$614,000 for 2QFY2016 as compared with gross loss of approximately US\$636,000 for 2QFY2015, 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\$1.0 million for 2QFY2015 to approximately US\$396,000 for 2QFY2016. Such a decrease was mainly due to approximately US\$256,000 decrease in bank interest income for 2QFY2016 because of revoking the loan guarantee outside deposit in PRC.

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Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately US\$315,000 from approximately US\$917,000 for 2QFY2015 to approximately US\$602,000 for 2QFY2016, such a decrease was mainly due to the changes of freight charges decreased approximately 95.2% from approximately US\$460,000 for 2QFY2015 to approximately US\$22,000 with drop of international trade in 2QFY2016.

Administrative expenses

Administration expenses increased from approximately US\$2.0 million for 1HFY2015 to approximately US\$3.0 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 2QFY2016.

Other operating expenses

There is notable exchange losses of US\$1.1 million recorded in other operating expenses in the current reported period, because the Group borrowed heavily in CNY currency and the fluctuation for CNY devaluation with comparing to HKD & US\$ for the period to 2QFY2016.

Finance costs

The finance costs reduced by US\$900,000 from approximately US\$2.1 million for 2QFY2015 to approximately US\$1.2 million for 2QFY2016, which was primarily due to repayment of revolving loan of US\$10.8 million during 2QFY2016.

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.

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.

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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 27.1% (approximately US\$11.5 million) and approximately 72.9% (approximately US\$30.9 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% (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.

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 decreased 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).

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

Not applicable.

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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

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.

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”) (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 Stock Exchange of Hong Kong Limited (the “SEHK”) and the Singapore Exchange Securities Trading Limited (the “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 (“New Page) (a company incorporated in the BVI with limited liability), Mr. Yu Wing Keung, Dicky (the former executive chairman of the Company who has resigned on 27 November 2015 after 4:00 p.m.) and Mr. Chow Kin

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Wa (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 Jun, the sole shareholder of the Offeror and the executive chairman of the Company appointed on 27 November 2015 after 4:00 p.m., 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.

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 announcement, the Company's executive chairman Mr. Zhu Jun, 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, representing an aggregate of approximately 76.59% of the issued share capital of the Company.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

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(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)?

None.

(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

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

The Directors do not declare or recommend any dividend for the second quarter ended 31 October 2015.

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- 13. If the Group has obtained a general mandate from shareholders for interested person transaction, the aggregate value of such transactions as required under Rule 920(1)(a) (ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited. If no interested person transaction mandate has been obtained, a statement to that effect**

The Company has not obtained any general mandate from shareholders pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

- 14. Negative confirmation pursuant to Rule 705(5) of the Listing Manual of the Listing Manual of the Singapore Exchange Securities Trading Limited**

On behalf of the Board, Mr. Zhu Jun and Mr. Chow Kin Wa, the Executive Directors of the Company, confirm to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements of the Group for 2QFY2016 to be false or misleading in any material aspect.

By order of the Board

Zhu Jun

Executive Chairman

Chow Kin Wa

Executive Director and CEO

14 December 2015