

**NOVO GROUP LTD.**

(Incorporated in Singapore)

(Co. Reg. No. 198902648H)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2014****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 2014.

- 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 2014**

	The Group					
	3 months period ended			6 months period ended		
	31 October	31 October	Increase/ (Decrease)	31 October	31 October	Increase/ (Decrease)
	2014	2013		2014	2013	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	95,911	83,642	14.7%	158,518	115,677	37.0%
Cost of sales	(96,547)	(81,803)	18.0%	(159,602)	(112,167)	42.3%
Gross (loss)/profit	(636)	1,839	NM	(1,084)	3,510	NM
Other income	1,033	2,293	-54.9%	1,802	2,749	-34.4%
Distribution and selling expenses	(917)	(1,323)	-30.7%	(2,813)	(3,649)	-22.9%
Administrative expenses	(1,952)	(2,191)	-10.9%	(4,285)	(4,525)	-5.3%
Other operating expenses	–	(46)	NM	(65)	(181)	-64.1%
Finance costs	(2,121)	(901)	135.4%	(3,540)	(1,823)	94.2%
Loss before tax	(4,593)	(329)	1,296.0%	(9,985)	(3,919)	154.8%
Income tax expenses	(34)	1	NM	(43)	(5)	760.0%
Loss for the period	<u>(4,627)</u>	<u>(328)</u>	<u>1,310.7%</u>	<u>(10,028)</u>	<u>(3,924)</u>	<u>155.6%</u>
Attributable to:						
Owners of the Company	(4,079)	(685)		(9,137)	(4,209)	
Non-controlling interests	(548)	357		(891)	285	
	<u>(4,627)</u>	<u>(328)</u>		<u>(10,028)</u>	<u>(3,924)</u>	

NM – not meaningful

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**Consolidated Statement of Comprehensive Income**

	The Group					
	3 months period ended			6 months period ended		
	31 October	31 October	Increase/ (Decrease)	31 October	31 October	Increase/ (Decrease)
	2014	2013		2014	2013	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Loss for the period	(4,627)	(328)	1,310.7%	(10,028)	(3,924)	155.6%
<b>Other comprehensive income, that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translation of the Group's overseas operations, net of tax	321	175	83.4%	48	344	-86.0%
Total Comprehensive expenses for the period	<u>(4,306)</u>	<u>(153)</u>	2,714.4%	<u>(9,980)</u>	<u>(3,580)</u>	178.8%
<b>Attributable to:</b>						
Owners of the Company	(3,757)	(544)		(8,969)	(3,921)	
Non-controlling interests	<u>(549)</u>	<u>391</u>		<u>(1,011)</u>	<u>341</u>	
	<u>(4,306)</u>	<u>(153)</u>		<u>(9,980)</u>	<u>(3,580)</u>	

**1. (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
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the period is stated after charging/(crediting):				
Amortisation of deferred income	(77)	(1)	(154)	(2)
Amortisation of land use rights	27	17	54	34
Depreciation of property, plant and equipment	991	156	1,563	304
Fair value gains on derivative financial instruments	(26)	(124)	(37)	—
Interest expense	1,965	817	3,132	1,697
Interest income	(226)	(56)	(520)	(186)
Losses on disposal of property, plant and equipment	—	—	26	—
Net exchange gains	(62)	(285)	(7)	(285)
Net realised (gains)/losses on derivative financial instruments	(39)	120	65	181

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**1. (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**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 31 October 2014</b>	<b>As at 30 April 2014</b>	<b>As at 31 October 2014</b>	<b>As at 30 April 2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	71,899	73,269	–	–
Land use right	6,472	6,133	–	–
Goodwill	4	4	–	–
Investments in subsidiaries	–	–	79,460	79,460
	<b>78,375</b>	<b>79,406</b>	<b>79,460</b>	<b>79,460</b>
<b>Current assets</b>				
Inventories	12,550	16,571	–	–
Trade and other receivables	69,356	40,004	45,458	41,271
Pledged bank deposits	39,171	34,041	–	–
Cash and cash equivalents	13,262	12,780	140	115
	<b>134,339</b>	<b>103,396</b>	<b>45,598</b>	<b>41,386</b>
<b>Total assets</b>	<b>212,714</b>	<b>182,802</b>	<b>125,058</b>	<b>120,846</b>
<b>Non-current liabilities</b>				
Borrowings	12,375	–	–	–
Deferred income	1,145	1,311	–	–
	<b>13,520</b>	<b>1,311</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>				
Trade and other payables	100,522	71,730	13,521	8,911
Deferred income	309	294	–	–
Derivative financial instruments	–	37	–	–
Borrowings	67,421	68,480	–	–
Tax payable	5	33	–	–
	<b>168,257</b>	<b>140,574</b>	<b>13,521</b>	<b>8,911</b>
<b>Total liabilities</b>	<b>181,777</b>	<b>141,885</b>	<b>13,521</b>	<b>8,911</b>
<b>Net assets</b>	<b>30,937</b>	<b>40,917</b>	<b>111,537</b>	<b>111,935</b>
<b>Equity</b>				
Share capital	32,239	32,239	108,740	108,740
(Accumulated losses)/retained earnings	(9,328)	(191)	196	594
Foreign currency translation reserve	1,427	1,259	–	–
Statutory reserve	33	33	–	–
Other reserve	2,680	2,680	2,601	2,601
Total equity attributable to owners of the Company	<b>27,051</b>	<b>36,020</b>	<b>111,537</b>	<b>111,935</b>
Non-controlling interests	<b>3,886</b>	<b>4,897</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>30,937</b>	<b>40,917</b>	<b>111,537</b>	<b>111,935</b>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 31 October 2014</b>		<b>As at 30 April 2014</b>	
	<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Amount repayable in one year or less	<b>67,421</b>	–	<b>68,480</b>	–
Amount repayable after one year	<b>12,375</b>	–	–	–

Details of any collateral:

The Group's borrowings for trading operations 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 borrowings for the project 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.

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**1. (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**

	<b>The Group</b>			
	<b>3 months period ended</b>		<b>6 months period ended</b>	
	<b>31 October</b>	<b>31 October</b>	<b>31 October</b>	<b>31 October</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Cash flows from operating activities</b>				
Loss before tax	(4,593)	(329)	(9,985)	(3,919)
Adjustments for:				
Amortisation of deferred income	(77)	(1)	(154)	(2)
Amortisation of land use right	27	17	54	34
Depreciation of property, plant and equipment	991	156	1,563	304
Fair value gains on derivative financial instruments	(26)	(124)	(37)	–
Interest expense	1,965	817	3,132	1,697
Interest income	(226)	(56)	(520)	(186)
Losses on disposal of property, plant and equipment	–	–	26	–
Net realised (gains)/losses on derivative financial instruments	(39)	125	65	186
Operating cash flow before movements in working capital	(1,978)	605	(5,856)	(1,886)
Inventories	2,093	4,666	4,021	9,809
Trade and other receivables	(17,213)	(33,675)	(29,529)	(38,029)
Trade and other payables	13,451	43,742	29,124	52,286
Currency translation differences	158	(41)	(42)	79
<b>Cash (used in)/generated from operations</b>	<b>(3,489)</b>	<b>15,297</b>	<b>(2,282)</b>	<b>22,259</b>
Income tax (paid)/credit, net	(37)	4	(71)	1
Interest income received	226	56	520	186

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	<b>The Group</b>			
	<b>3 months period ended</b>		<b>6 months period ended</b>	
	<b>31 October</b>	31 October	<b>31 October</b>	31 October
	<b>2014</b>	2013	<b>2014</b>	2013
	<u><i>US\$'000</i></u>	<u><i>US\$'000</i></u>	<u><i>US\$'000</i></u>	<u><i>US\$'000</i></u>
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,300)</b>	15,357	<b>(1,833)</b>	22,446
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	–	27	<b>2</b>	28
Purchase of property, plant and equipment	<b>(187)</b>	(2,067)	<b>(254)</b>	(9,671)
Acquisition of land use rights	–	–	<b>(380)</b>	–
Net cash received/(paid to) from realised derivative financial instruments	<b>39</b>	–	<b>(65)</b>	(400)
<b>Net cash used in investing activities</b>	<b>(148)</b>	(2,040)	<b>(697)</b>	(10,043)
<b>Cash flows from financing activities</b>				
Decrease/(increase) in fixed deposits and cash pledged	<b>823</b>	(11,058)	<b>(5,129)</b>	(12,881)
Net proceed from/(repayment of) short term borrowings	<b>1,127</b>	(2,033)	<b>(1,106)</b>	(1,889)
Drawdown of bank borrowings	<b>1,500</b>	–	<b>18,344</b>	–
Repayments of bank borrowings	<b>(4,719)</b>	(1,167)	<b>(5,969)</b>	(2,802)
Interest expense paid	<b>(1,965)</b>	(1,313)	<b>(3,132)</b>	(2,420)
Capital injection by non-controlling shareholders	–	–	–	4,285
Dividend paid	–	(1,352)	–	(1,352)
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,234)</b>	(16,923)	<b>3,008</b>	(17,059)
<b>Net decrease in cash and cash equivalents</b>	<b>(6,682)</b>	(3,606)	<b>478</b>	(4,656)
Cash and cash equivalents at beginning of period	<b>19,940</b>	8,847	<b>12,780</b>	9,972
Effect of currency translation on cash and cash equivalents	<b>4</b>	85	<b>4</b>	10
<b>Cash and cash equivalents at end of period</b>	<b><u>13,262</u></b>	<b><u>5,326</u></b>	<b><u>13,262</u></b>	<b><u>5,326</u></b>
Cash and cash equivalents are represented by:				
Cash and bank balances	<b>52,433</b>	27,385	<b>52,433</b>	27,385
Less: Fixed deposits and cash subjected to restriction	<b>(39,171)</b>	(22,059)	<b>(39,171)</b>	(22,059)
	<b><u>13,262</u></b>	<b><u>5,326</u></b>	<b><u>13,262</u></b>	<b><u>5,326</u></b>

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1. (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from 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**

<b>Group</b>	<b>Share capital US\$ '000</b>	<b>Retained earnings US\$ '000</b>	<b>Foreign currency translation reserve US\$ '000</b>	<b>Statutory reserve US\$ '000</b>	<b>Other Reserve US\$ '000</b>	<b>Equity attributable to equity holders of the Company US\$ '000</b>	<b>Non-controlling interests US\$ '000</b>	<b>Total equity US\$ '000</b>
<b>Balance at 1 May 2013</b>	32,239	14,307	1,036	33	2,601	50,216	1,542	51,758
Changes in ownership interest in a subsidiary that do not result in a loss of control	–	208	–	–	–	208	4,077	4,285
Total comprehensive (expenses)/income for the	–	(3,524)	147	–	–	(3,377)	(50)	(3,427)
<b>Balance at 31 July 2013</b>	<u>32,239</u>	<u>10,991</u>	<u>1,183</u>	<u>33</u>	<u>2,601</u>	<u>47,047</u>	<u>5,569</u>	<u>52,616</u>
Total comprehensive (expenses)/income for the period	–	(685)	141	–	–	(544)	391	(153)
<b>Balance at 31 October 2013</b>	<u>32,239</u>	<u>8,953</u>	<u>1,324</u>	<u>33</u>	<u>2,601</u>	<u>45,150</u>	<u>5,960</u>	<u>51,110</u>
<b>Balance at 1 May 2014</b>	32,239	(191)	1,259	33	2,680	36,020	4,897	40,917
Total comprehensive expenses for the period	–	(5,057)	(155)	–	–	(5,212)	(462)	(5,674)
<b>Balance at 31 July 2014</b>	<u>32,239</u>	<u>(5,248)</u>	<u>1,104</u>	<u>33</u>	<u>2,680</u>	<u>30,808</u>	<u>4,435</u>	<u>35,243</u>
Total comprehensive (expenses)/income for the period	–	(4,080)	323	–	–	(3,757)	(549)	(4,306)
<b>Balance at 31 October 2014</b>	<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>

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<b>Company</b>	<b>Share capital US\$ '000</b>	<b>Retained earnings US\$ '000</b>	<b>Other Reserve US\$ '000</b>	<b>Total equity US\$ '000</b>
<b>Balance at 1 May 2013</b>	108,740	2,480	2,601	113,821
Total comprehensive expenses for the period	—	(97)	—	(97)
<b>Balance at 31 July 2013</b>	<u>108,740</u>	<u>2,383</u>	<u>2,601</u>	<u>113,724</u>
Dividend paid	—	(1,353)	—	(1,353)
Total comprehensive expense for the period	—	(214)	—	(214)
<b>Balance at 31 October 2013</b>	<u>108,740</u>	<u>816</u>	<u>2,601</u>	<u>112,157</u>
<b>Balance at 1 May 2014</b>	108,740	594	2,601	111,935
Total comprehensive expense for the period	—	(89)	—	(89)
<b>Balance at 31 July 2014</b>	<u>108,740</u>	<u>505</u>	<u>2,601</u>	<u>111,846</u>
Dividend paid	—	(309)	—	(309)
Total comprehensive expense for the period	—	(309)	—	(309)
<b>Balance at 31 October 2014</b>	<u>108,740</u>	<u>196</u>	<u>2,601</u>	<u>111,537</u>

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

There was no change in the Company's share capital since the end of the previous period reported on. As at 31 October 2014 and 31 July 2014, 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 2014 and 31 October 2013.

There were neither treasury shares nor share option outstanding as at 31 October 2014 and 31 October 2013.



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

	The Company	
	As at 31 October 2014	As at 30 April 2014
Total number of issued shares, excluding treasury shares	170,804,269	170,804,269

There were no treasury shares as at 31 October 2014 and 30 April 2014.

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

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 2014, 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 2014.

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
	2014	2013	2014	2013
	(in US Cents)	(in US Cents)	(in US Cents)	(in US Cents)
Loss per ordinary shares:				
(a) Based on weighted average number of ordinary shares on issued; and	(2.39)	(0.40)	(5.35)	(2.46)
(b) On a fully diluted basis	(2.39)	(0.40)	(5.35)	(2.46)
Details:				
Loss attributable to shareholders (stated in US\$'000)	(4,079)	(685)	(9,137)	(4,209)

	Number of shares (stated in '000)			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2014	2013	2014	2013
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
	2014	2014	2014	2014
	(in US cents)	(in US cents)	(in US cents)	(in US cents)
Net assets value per ordinary share based on issued share capital of the issuer	18.1	24.0	65.3	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 first half of the financial year ending 2015 ("2QFY2015"), with concerns over the slowdown economic growth in China, the global economic recovery remains slow. Amid this adverse operating environment, the Group has adopted cautious but prudent business direction and continues to focus on strengthening the tinplate manufacturing division and the tinplate processing division while striving on developing a sustainable development model for the Group.

The Group's recorded total approximately US\$10 million loss after tax for 2QFY2015, which comprised approximately US\$5.4 million recorded in the first quarter and approximately US\$4.6 million recorded in the second quarter. The Group believes it has bottomed out and it is expected to see business begin to climb in the second half of FY2015.

### **Revenue**

The Group's revenue increased by approximately 14.7% from approximately US\$83.6 million for the three months period ended 31 October 2013 ("2QFY2014") to approximately US\$95.9 million for 2QFY2015. The revenue growth was attributable to contributions from the new tinplate manufacturing plant in Jiangsu and tinplate processing plant in Tianjin as well as stronger business development efforts in North Asia market.

Revenue from international steel trade business, major business segment, accounted for approximately 63.8% of the Group's total revenue for both 2QFY2015 and 2QFY2014, representing of approximately US\$61.2 million and approximately US\$53.3 million for 2QFY2015 and 2QFY2014, respectively. Revenue from tinplate manufacturing contributed approximately 14.1% and approximately 16.4% for 2QFY2015 and 2QFY2014, representing approximately US\$13.4 million and approximately US\$13.8 million for 2QFY2015 and 2QFY2014, respectively. Revenue from tinplate processing contributed approximately 4.8% and approximately 12.6% for 2QFY2015 and 2QFY2014, representing approximately US\$4.6 million and approximately 10.5 million for 2QFY2015 and 2QFY2014 respectively. Domestic trade business accounted for approximately 8.1% and approximately 4.1% for 2QFY2015 and 2QFY2014, representing approximately US\$7.8 million and approximately US\$3.4 million for 2QFY2015 and 2QFY2014, respectively. Resulted from the fall of coal products price and soft demand, revenue from the coal segment was approximately US\$8.9 million and approximately US\$2.6 million for 2QFY2015 and 2QFY2014, where accounted for approximately 9.2% and approximately 3.1% of the Group's total revenue for 2QFY2015 and 2QFY2014, respectively.

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In terms of geographical contribution, North Asia market, our main focused market, contributed revenues of approximately US\$87.1 million of total revenue for 2QFY2015, compared to approximately US\$79.4 million for 2QFY2014, accounted for approximately 90.8% and approximately 94.9% of total revenue for 2QFY2015 and 2QFY2014. Revenue derived from South East Asia market increased from approximately US\$3.1 million for 2QFY2014 to approximately US\$6.4 million for 2QFY2015. The South East Asia market accounted for approximately 3.7% and approximately 6.7% of Group's total revenue for 2QFY2014 and 2QFY2015, respectively. Other regions contributed approximately US\$2.4 million revenue, representing approximately 2.5% of the Group's total revenue for 2QFY2015, while accounted for approximately US\$1.1 million or approximately 1.4% for 2QFY2014.

### **Gross (loss)/Profit**

The Group's gross loss was approximately US\$636,000 for 2QFY2015 as compared with gross profit of approximately US\$1.8 million for 2QFY2014, which was due to trial production manufacturing costs incurred from Jiangsu tinplate manufacturing plant during the reported period (the "TPM Costs") were classified as expenses which could not be capitalised after 30 April 2014 and the TPM Costs were partially offset by gross profit contributed by other subsidiaries of the Company.

### **Other income**

Other income decreased from approximately US\$2.3 million for 2QFY2014 to approximately US\$1.0 million for 2QFY2015. Such a decrease was mainly due to approximately US\$1.8 million government grant and subsidies was recorded for 2QFY2014 while only approximately US\$350,000 was recorded for 2QFY2015.

### **Distribution and selling expenses**

The Group's distribution and selling expenses decreased by approximately US\$0.4 million from approximately US\$1.3 million for 2QFY2014 to approximately US\$920,000 for 2QFY2015, such a decrease was mainly due to the changes of the trading terms in the international trading business, freight charges decreased approximately 50.8% from approximately US\$945,000 for 2QFY2014 to approximately US\$465,000 in 2QFY2015.

### **Administrative expenses**

Administration expenses decreased from approximately US\$2.2 million for 1HFY2014 to approximately US\$2.0 million for 1HFY2015. Such a decrease was primarily due to the decrease in staff costs as a result of cost cutting action taken for 2QFY2015.

### **Other operating expenses**

No other operating expenses incurred in the current reported period while there were net exchange losses of approximately US\$50,000 recognised for 2QFY2014.

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### **Finance costs**

The finance costs were up from approximately US\$901,000 for 2QFY2014 to approximately US\$2.1 million for 2QFY2015, which was primarily due to increase in borrowings of Jiangsu tinplate manufacturing business for working capital purposes.

### **Review of Financial Position and Cash Flow**

Under the challenging market conditions, the Group has adopted a conservative and prudent approach to manage its businesses, in order to improve operating efficiency, maintain a sound financial and liquidity position, the group continuing effective cost control and rigorous inventory control policy.

### **Inventories**

With implementation of strict inventory control policy to maintain high liquidity of the Group's working capital, inventories held by the Group decreased from by approximately US\$4.0 million from approximately US\$16.6 million as at 30 April 2014 to approximately US\$12.6 million as at 31 October 2014.

### **Trade and other receivables**

Trade and other receivables increased from approximately US\$40.0 million as at 30 April 2014 to approximately US\$69.4 million as at 31 October 2014. Distribution of trade receivables and other receivables were approximately 62.7% (approximately US\$43.5 million) and approximately 37.3% (approximately US\$25.9 million) of total receivables as at 31 October 2014, compared to approximately 65.0% (approximately US\$26.0 million) and approximately 35.0% (approximately US\$14.0 million) of total receivables as at 30 April 2014. The increase of trade and bills receivable as at 31 October 2014 due to higher revenue was recorded near to the end of the reported date.

### **Trade and other payables**

Trade and other payables increased from approximately US\$71.7 million as at 30 April 2014 to approximately US\$100.5 million as at 31 October 2014. Distribution of trade payables and other payables were approximately 75.7% (approximately US\$76.1 million) and approximately 24.3% (approximately US\$24.4 million) of total payable as at 31 October 2014 compared to approximately 80.6% (approximately US\$57.8 million) and approximately 19.4% (US\$13.9 million) of total payable as at 30 April 2014. 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.

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### **Liquidity and financial resources**

The Group's borrowings increased by approximately US\$11.3 million from approximately US\$68.5 million as at 30 April 2014 to approximately US\$79.8 million as at 31 October 2014. Borrowings related to the Jiangsu manufacturing plant decreased by approximately US\$0.8 million from approximately US\$48.8 million as at 30 April 2014 to approximately US\$48.0 million as at 31 October 2014, representing approximately 71.2% and approximately 60.2% of total borrowings as at 30 April 2014 and 31 October 2014 respectively.

An aggregate of cash and cash equivalents and pledged bank deposits increased by approximately US\$5.6 million from approximately US\$46.8 million as at 30 April 2014 to approximately US\$52.4 million as at 31 October 2014.

Total cash and bank balance represents approximately 169.5% of the Group's net assets value as at 31 October 2014 (approximately 114.4% of net assets value as at 30 April 2014).

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

The results reported for the second quarter ended 31 October 2014 was in line with the profit warning announcement made on 10 December 2014.

### **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**

Facing a slowdown in the world's economy, the price of iron ore in China is expected to slide due to high inventories, soft demand and production cuts, resulting from inspections against environmental protection. International Iron ore price is also expected to stabilise and softly decline.

China, being the world's biggest coal consumer and producer, will reintroduce import tariffs on the fuel with a view to support money-losing domestic miners and cause high coal cost in China. Nevertheless, international coal price is expected to remain stable as it is still cheaper and less polluting to import coal internationally than to dig up domestically. Accordingly, the total amount of international coal exports is expected to increase.

While Asian steel output being dominated by the development of Chinese steel production and Asia contains some of the world's largest steel exporting and importing nations, it is expected that steel export from China will continue to be profitable accompanied with growing international demands and stabilised markets. If urbanisation project continues, accompanied by a strong 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.

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The Group believes the rising exports and infrastructure projects of China provide opportunities to steel and raw materials trading business in Asia, in particular, there are positive views on growth in Asian countries outside China. Therefore, the Group will stay close to the market on such changes and will react positively to capture any lead advantage opportunities.

### **Tinplate Manufacturing Project**

The tinplate manufacturing project in Jiangsu, the key development is the focus on the Group's agenda, continues to progressing on track. Noting that quality is the lifeblood of the corporate's future success, the Group is strongly committed to provide quality tinplate to our customers in food and beverage and premium packaging industry. The Group's commitment to quality has established a positive reputation among metal packaging suppliers. The repeat and continuous orders from major players in the industry are the best testimony to our credentials. The Group has successfully widened the business base to include food and beverage corporations in China and overseas markets customer base include certain world-renowned packaging corporations from Europe, Middle East, South East Asia, South America and North America. The Group will continue to place considerable emphasis on developing business opportunities in these regions, which are expected to experience huge future growth.

In the meantime, the Group continues to see good opportunities stemming from the metal packaging industry resulting in the prosperity in the food and beverage sector in the global market. In order to build a higher competitive edge, the Group will continue to focus on implementing cost reduction program and adjusting product profile in order to keep evolving along with the market. With these strategic objectives, the Group is fully confident that the tinplate manufacturing business will be able to boost higher profit margins and further increase the percentage of revenue contribution so as generating sustainable profitable growth for the Group.

## **11. Dividend**

### **(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

None.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

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

None.



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**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

The Directors do not declare or recommend any dividend for the second quarter ended 31 October 2014.

**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. Yu Wing Keung Dicky 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 2QFY2015 to be false or misleading in any material aspect.

**By order of the Board**

**Yu Wing Keung Dicky**  
*Executive Chairman*

**Chow Kin Wa**  
*Executive Director and CEO*

15 December 2014