

NOVO GROUP LTD.
(Incorporated in Singapore)
(Company Registration No. 198902648H)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 31 JANUARY 2014

PART I INFORMATION REQUIRED FOR THIRD QUARTER ANNOUNCEMENT

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 Third Quarter ended 31 January 2014

	The Group					
	3 months period ended			9 months period ended		
	31 January 2014	31 January 2013	Increase/ (Decrease)	31 January 2014	31 January 2013	Increase/ (Decrease)
	<i>US\$'000</i>	<i>US\$'000</i>	%	<i>US\$'000</i>	<i>US\$'000</i>	%
Revenue	83,277	117,210	-29.0%	198,954	214,201	-7.1%
Cost of sales	(81,129)	(110,508)	-26.6%	(193,296)	(203,062)	-4.8%
Gross profit	2,148	6,702	-67.9%	5,658	11,139	-49.2%
Other income	918	373	146.1%	3,667	2,031	80.6%
Distribution and selling expenses	(1,678)	(3,919)	-57.2%	(5,327)	(8,651)	-38.4%
Administrative expenses	(2,386)	(2,387)	0.0%	(6,911)	(5,488)	25.9%
Other operating expenses	(15)	(535)	-97.2%	(196)	(1,328)	-85.2%
Finance costs	(1,749)	(229)	663.8%	(3,572)	(487)	633.5%
(Loss)/profit before tax	(2,762)	5	NM	(6,681)	(2,784)	140.0%
Income tax(expenses)/credit	(35)	34	NM	(40)	(21)	90.5%
(Loss)/profit for the period	<u>(2,797)</u>	<u>39</u>	<u>NM</u>	<u>(6,721)</u>	<u>(2,805)</u>	<u>139.6%</u>
Attributable to:						
Owners of the Company	(2,485)	328		(6,694)	(2,107)	
Non-controlling interests	(312)	(289)		(27)	(698)	
	<u>(2,797)</u>	<u>39</u>		<u>(6,721)</u>	<u>(2,805)</u>	

NM – not meaningful

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Consolidated Statement of Comprehensive Income

	The Group					
	3 months period ended			9 months period ended		
	31 January	31 January	Increase/	31 January	31 January	Increase/
	2014	2013	(Decrease)	2014	2013	(Decrease)
	<i>US\$'000</i>	<i>US\$'000</i>	%	<i>US\$'000</i>	<i>US\$'000</i>	%
(Loss)/profit for the period	(2,797)	39	NM	(6,721)	(2,805)	139.6%
Other comprehensive income:						
Exchange differences on translation of the Group's overseas operations, net of nil tax	<u>373</u>	<u>77</u>	384.4%	<u>718</u>	<u>54</u>	1229.6%
Total comprehensive (expense)/income for the period	<u><u>(2,424)</u></u>	<u><u>116</u></u>	NM	<u><u>(6,003)</u></u>	<u><u>(2,751)</u></u>	118.2%
Attributable to:						
Owners of the Company	(2,129)	399		(6,049)	(2,067)	
Non-controlling interests	<u>(295)</u>	<u>(283)</u>		<u>46</u>	<u>(684)</u>	
	<u><u>(2,424)</u></u>	<u><u>116</u></u>		<u><u>(6,003)</u></u>	<u><u>(2,751)</u></u>	

NM – not meaningful

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

	The Group			
	3 months period ended		9 months period ended	
	31 January	31 January	31 January	31 January
	2014	2013	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
(Loss)/profit for the period is stated after charging/(crediting):				
Amortisation of deferred income	(1)	(1)	(3)	(3)
Depreciation of property, plant and equipment	169	150	507	436
Fair value losses on derivative financial instruments	15	–	15	7
Interest expense	1,494	131	3,191	251
Interest income	(133)	(71)	(319)	(271)
Impairment of a receivable	–	417	–	835
Loss on disposal of a associated company	–	–	–	98
Losses on disposal of property, plant and equipment	–	40	–	256
Net exchange(gains)/losses	(149)	31	(434)	(168)
Net realised losses on derivative financial instruments	1	118	187	172

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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

	The Group		The Company	
	As at 31 January 2014 <i>US\$'000</i>	As at 30 April 2013 <i>US\$'000</i>	As at 31 January 2014 <i>US\$'000</i>	As at 30 April 2013 <i>US\$'000</i>
Non-current assets				
Property, plant and equipment	62,828	49,649	–	–
Goodwill	98	98	–	–
Investments in subsidiaries	–	–	79,460	79,588
	62,926	49,747	79,460	79,588
Current assets				
Inventories	16,559	24,831	–	–
Derivative financial instruments	198	–	–	–
Trade and other receivables	61,938	54,988	40,949	34,467
Tax recoverable	–	6	–	–
Pledged bank deposits	30,946	9,178	–	–
Cash and cash equivalents	9,177	9,972	122	68
	118,818	98,975	41,071	34,535
Total assets	181,744	148,722	120,531	114,123
Non-current liabilities				
Borrowings, secured	23,500	18,650	–	–
Deferred income	184	184	–	–
	23,684	18,834	–	–
Current liabilities				
Trade and other payables	71,389	32,628	8,443	302
Deferred income	4	4	–	–
Borrowings, secured	37,544	45,492	–	–
Tax payable	30	6	–	–
	108,967	78,130	8,443	302
Total liabilities	132,651	96,964	8,443	302
Net assets	49,093	51,758	112,088	113,821

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	The Group		The Company	
	As at	As at	As at	As at
	31 January	30 April	31 January	30 April
	2014	2013	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Equity				
Share capital	32,239	32,239	108,740	108,740
Retained earnings	6,468	14,307	747	2,480
Foreign currency translation reserve	1,680	1,036	–	–
Statutory reserve	33	33	–	–
Other reserve	2,601	2,601	2,601	2,601
Total equity attributable to owners of the Company	43,021	50,216	112,088	113,821
Non-controlling interests	6,072	1,542	–	–
Total equity	49,093	51,758	112,088	113,821

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

	The Group		The Group	
	As at 31 January 2014		As at 30 April 2013	
	Secured	Unsecured	Secured	Unsecured
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amount repayable in one year or less	37,544	–	45,492	–
Amount repayable after one year	23,500	–	18,650	–

Details of any collateral:

The Group's borrowings for trading operations are secured by:

- 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.

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The Group's borrowings for the project loan granted to one of the subsidiaries are secured by:

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

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

	The Group			
	3 months period ended		9 months period ended	
	31 January	31 January	31 January	31 January
	2014	2013	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cash flows from operating activities				
(Loss)/profit before tax	(2,762)	5	(6,681)	(2,784)
Adjustments for:				
Amortisation of deferred income	(1)	(1)	(3)	(3)
Depreciation of property, plant and equipment	169	150	507	436
Fair value losses on derivative financial instruments	15	–	15	7
Interest expense	1,494	131	3,191	251
Interest income	(133)	(71)	(319)	(271)
Impairment of a receivable	–	417	–	835
Loss on disposal of an associated company	–	–	–	98
Losses on disposal of property, plant and equipment	–	40	–	256
Net realised losses on derivative financial instruments	1	118	187	172
Operating cash flow before movements in working capital	(1,217)	789	(3,103)	(1,003)
Inventories	(1,537)	(3,366)	8,272	7,729
Trade and other receivables	30,720	(33,593)	(7,309)	(42,072)
Trade and other payables	(13,526)	51,326	38,760	47,029
Currency translation differences	190	19	269	(30)

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	The Group			
	3 months period ended		9 months period ended	
	31 January	31 January	31 January	31 January
	2014	2013	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cash generated from operations	14,630	15,175	36,889	11,653
Income tax (paid)/credit, net	(12)	(15)	(11)	12
Interest income received	133	71	319	271
Net cash generated from operating activities	14,751	15,231	37,197	11,936
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	–	–	28	8
Purchase of property, plant and equipment	(1,858)	(18,885)	(11,529)	(35,869)
Acquisition of subsidiaries, net of cash acquired	–	–	–	338
Proceeds from disposal of an associated company	–	–	–	490
Net cash paid for realised derivative financial instruments	–	(52)	(400)	(106)
Net cash used in investing activities	(1,858)	(18,937)	(11,901)	(35,139)
Cash flows from financing activities				
(Decrease)/increase in fixed deposits and cash pledged	(8,887)	4,016	(21,768)	10
Net (repayment to)/proceed from short term borrowings	(6,109)	2,182	(7,998)	1,634
Drawdown of bank borrowings	7,310	3,183	7,310	22,183
Repayments of bank borrowings	(16)	(15)	(2,818)	(3,000)
Interest expense paid	(1,707)	(131)	(4,127)	(251)
Capital injection by a non-controlling shareholder	407	150	4,692	200
Dividend paid	–	–	(1,352)	(1,389)
Net cash (used in)/generated from financing activities	(9,002)	9,385	(26,061)	19,387
Net increase/(decrease) in cash and cash equivalents	3,891	5,679	(765)	(3,816)
Cash and cash equivalents at beginning of period	5,326	5,814	9,972	15,303
Effect of currency translation on cash and cash equivalents	(40)	(9)	(30)	(3)
Cash and cash equivalents at end of period	9,177	11,484	9,177	11,484
Cash and cash equivalents are represented by:				
Cash and bank balances	40,123	23,726	40,123	23,726
Less: Fixed deposits and cash subjected to restriction	(30,946)	(12,242)	(30,946)	(12,242)
	9,177	11,484	9,177	11,484

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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

Group	Share capital <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Foreign currency translation reserve <i>US\$'000</i>	Statutory reserve <i>US\$'000</i>	Other reserve <i>US\$'000</i>	Equity attributable to owners of the Company <i>US\$'000</i>	Non-controlling interests <i>US\$'000</i>	Total equity <i>US\$'000</i>
Balance at 1 May 2012	32,239	21,307	772	–	2,601	56,919	1,465	58,384
Acquisition of interest in subsidiaries	–	–	–	–	–	–	625	625
Dividend paid	–	(1,389)	–	–	–	(1,389)	–	(1,389)
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	50	50
Transfer to statutory reserve	–	(33)	–	33	–	–	–	–
Total comprehensive expense for the period	–	(2,435)	(31)	–	–	(2,466)	(401)	(2,867)
Balance at 31 October 2012	32,239	17,450	741	33	2,601	53,064	1,739	54,803
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	150	150
Total comprehensive income/(expense) for the period	–	328	71	–	–	399	(283)	116
Balance at 31 January 2013	32,239	17,778	812	33	2,601	53,463	1,606	55,069
Balance at 1 May 2013	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 loss of control	–	208	–	–	–	208	4,077	4,285
Dividend paid	–	(1,353)	–	–	–	(1,353)	–	(1,353)
Total comprehensive (expense)/income for the period	–	(4,209)	288	–	–	(3,921)	341	(3,580)
Balance at 31 October 2013	32,239	8,953	1,324	33	2,601	45,150	5,960	51,110
Capital injection by a non-controlling shareholder in a subsidiary	–	–	–	–	–	–	407	407
Total comprehensive (expense)/income for the period	–	(2,485)	356	–	–	(2,129)	(295)	(2,424)
Balance at 31 January 2014	32,239	6,468	1,680	33	2,601	43,021	6,072	49,093

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Company	Share capital US\$'000	Retained earnings US\$'000	Other reserve US\$'000	Total equity US\$'000
Balance at 1 May 2012	108,740	2,791	2,601	114,132
Dividend paid	–	(1,389)	–	(1,389)
Total comprehensive income for the period	–	160	–	160
Balance at 31 October 2012	108,740	1,562	2,601	112,903
Total comprehensive income for the period	–	327	–	327
Balance at 31 January 2013	108,740	1,889	2,601	113,230
Balance at 1 May 2013	108,740	2,480	2,601	113,821
Dividend paid	–	(1,353)	–	(1,353)
Total comprehensive expense for the period	–	(311)	–	(311)
Balance at 31 October 2013	108,740	816	2,601	112,157
Total comprehensive expense for the period	–	(69)	–	(69)
Balance at 31 January 2014	108,740	747	2,601	112,088

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 January 2014 and 31 October 2013, 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 January 2014 and 31 January 2013.

There were neither treasury shares nor share option outstanding as at 31 January 2014 and 31 January 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 January 2014	As at 30 April 2013
Total number of issued shares, excluding treasury shares	170,804,269	170,804,269

There were no treasury shares as at 30 April 2013 and 31 January 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 2013, 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 2013.

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. Earnings/(loss) 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		9 months period ended	
	31 January	31 January	31 January	31 January
	2014	2013	2014	2013
	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>
(Loss)/earnings per ordinary share:				
(a) Based on weighted average number of ordinary shares on issued; and	(1.45)	0.19	(3.92)	(1.23)
(b) On a fully diluted basis	(1.45)	0.19	(3.92)	(1.23)
Details:				
(Loss)/profit attributable to shareholders (stated in US\$'000)	(2,485)	328	(6,694)	(2,107)

	Number of shares (stated in '000)			
	3 months period ended		9 months period ended	
	31 January	31 January	31 January	31 January
	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 January	30 April	31 January	30 April
	2014	2013	2014	2013
	<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	25.2	29.4	65.6	66.6
Number of shares in issue as at end of period ('000)	170,804	170,804	170,804	170,804

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

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

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

Review of Performance

Revenue

With concerns over the ongoing slowdown economic growth in China and the global economic recovery remains slow, all these factors weighted on the Group financial performance. The Group's revenue decreased by approximately 29% from approximately US\$117.2 million for the three months period ended 31 January 2013 ("3QFY2013") to approximately US\$83.2 million for the three months period ended 31 January 2014 ("3QFY2014").

Revenue from international steel trading business, major business segment, accounted for approximately 78.6% and 83.4% of the Group's total revenue in 3QFY2014 and 3QFY2013, representing of approximately US\$65.4 million and US\$97.7 million in 3QFY2014 and 3QFY2013, respectively. Revenue from tinplate manufacturing contributed approximately 11.2% or US\$9.3 million in 3QFY2014 as compared with approximately 1.2% or US\$1.4 million in 3QFY2013 while revenue from tinplate processing contributed approximately 7.0% or US\$5.8 million in 3QFY2014 as compared with approximately 0.1% or US\$101,000 in 3QFY2013. Domestic trading business accounted for approximately 1.6% of the Group's total revenue, representing approximately US\$1.9 million in 3QFY2013, while no revenue was derived from domestic trading business in 3QFY2014. Resulted from the fall of coal prices and soft demand, revenue from the coal segment was approximately US\$2.7 million in 3QFY2014, decreased by approximately 83.2% as compared with approximately US\$16.1 million in 3QFY2013, where accounted for approximately 3.2% and 13.7% of the Group's total revenue in 3QFY2014 and 3QFY2013, respectively.

In terms of geographical contribution, the Group's revenue was mainly contributed from North Asia and South East Asia market. North Asia market remains the Group's major markets in the current reporting period, and accounted for approximately US\$78.1 million of total revenue in 3QFY2014, compared to approximately US\$80.4 million in 3QFY2013. North Asia market accounted for approximately 93.9% and 68.6% of total revenue in 3QFY2014 and 3QFY2013, respectively.

Revenue derived from South East Asia market accounted for approximately US\$3.7 million or 4.4% of total revenue in 3QFY2014, compared to approximately US\$36.8 million or 31.4% of total revenue in 3QFY2013. Other regions contributed approximately US\$1.4 million revenue, representing approximately 1.7% of total revenue in 3QFY2014 while no revenue was derived from other regions in 3QFY2013.

Gross Profit

The Group's gross profit for 3QFY2014 amounted to approximately US\$2.1 million, representing an decreased of approximately 67.9% as compared with approximately US\$6.7 million in 3QFY2013. The Group's gross profit margin decreased from approximately 5.7% in 3QFY2013 to approximately 2.6% in 3QFY2014. The decrease was primarily due to the fluctuation of raw materials costs and pilot production costs incurred by the new Jiangsu tinplate manufacturing plant which were recognised in the current reported period.

Other income

Other income increased from approximately US\$373,000 in 3QFY2013 to approximately US\$918,000 in 3QFY2014. Such increase was mainly arising from approximately US\$449,000 government grant was recorded in the current reported period.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately 57.2% from approximately US\$3.9 million in 3QFY2013 to approximately US\$1.7 million in 3QFY2014. The decrease mainly came from a drop in revenue couple with the changes in trading terms of the Group's trading business.

Administrative expenses

Administrative expenses remain steady, accounted for approximately US\$2.4 million in both 3QFY2014 and 3QFY2013.

Finance costs

Finance costs were up from approximately US\$229,000 in 3QFY2013 to approximately US\$1.7 million in 3QFY2014, which was primarily due to increase in working capital of Jiangsu manufacturing and Tianjin tinplate processing businesses.

Income tax

Income tax expenses incurred in 3QFY2014 are mainly related to income recognised during the reporting period this year.

Review of Financial Position and Cash Flow

Inventories

With implementation of strict inventory control policy to maintain high liquidity of the Group's working capital, inventories held by the Group decreased significantly by approximately US\$8.3 million from approximately US\$24.8 million as at 30 April 2013 to approximately US\$16.5 million as at 31 January 2014.

Trade and other receivables

Trade and other receivables increased by approximately US\$7.0 million from approximately US\$55.0 million as at 30 April 2013 to approximately US\$62.0 million as at 31 January 2014. Distribution of trade receivables and other receivables were approximately 23.7% (approximately US\$14.7 million) and 76.3% (approximately US\$47.3 million) of total receivables as at 31 January 2014, compared to approximately 16.6% (approximately US\$9.1 million) and 83.4% (approximately US\$45.9 million) of total receivables as at 30 April 2013. The increase of trade and bills receivable as at 31 January 2014 was resulted from higher revenue was recorded near to the end of the reported date. As at the announcement date, the subsequent settlement of trade receivables are up to approximately US\$10.1 million.

Trade and other payables

Trade and other payables increased from approximately US\$32.6 million as at 30 April 2013 to approximately US\$71.4 million as at 31 January 2014. Distribution of trade payables and other payables were approximately 71.4% (approximately US\$51.0 million) and 28.6% (approximately US\$20.4 million) of total payables as at 31 January 2014, compared to approximately 44.8% (approximately US\$14.6 million) and 55.2% (approximately US\$18.0 million) of total payables as at 30 April 2013. The increase of trade and other payables was mainly due to the increase of trade and bills payables.

Liquidity and financial resources

The Group's borrowings decreased from approximately US\$64.1 million as at 30 April 2013 to approximately US\$61.0 million as at 31 January 2014. Borrowings related to the Jiangsu manufacturing plant increased by approximately US\$1.0 million from approximately US\$43.7 million as at 30 April 2013 to approximately US\$44.7 million as at 31 January 2014, representing approximately 68.2% and 73.3% of total borrowings as at 30 April 2013 and 31 January 2014 respectively.

An aggregate of cash and cash equivalents and pledged bank deposits increased approximately 109.9% from approximately US\$19.1 million as at 30 April 2013 to approximately US\$40.1 million as at 31 January 2014. Total cash and bank balance represents approximately 81.7% of the Group's net assets value as at 31 January 2014 (approximately 37.0% of net assets value as at 30 April 2013).

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

The results reported for the third quarter ended 31 January 2014 was in line with the profit warning announcement made on 4 March 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

With the Europe's fundamental economic problems remain unresolved, economy of United States ("US") is still overshadowed by a considerable uncertainty as well as the concerns of ongoing slowdown in Mainland China's economic growth, the Group will continue to expect challenges in the second half of the financial year ending 2014 ("FY2014"). Nevertheless, there are positive signs that the recovery of the global economy is underway at a modest pace. Europe is emerging from recession steadily, US economy continues its recovery which has a stabilising effect on exports in China, the Group believes these may provide opportunities to steel and raw materials trading business in global market. In the past few months, China's traders and power plants have been trying best to reduce their inventories. The Group believes that after such heavy destocking, the demand of steel and coal products is likely to improve modestly in the second half of FY2014 and range-bound steel and commodity prices are expected. The Group is staying close to the market on such changes and will react positively to capture any lead advantage opportunities.

Tinplate manufacturing business

The tinplate manufacturing project in Jiangsu, the key development 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. Our commitment to quality has established a positive reputation among metal packaging suppliers. The repeat and continuous orders from major players in the industry is the best testimony to our credentials. The Group has successfully widened the business base to include food and beverage corporations in China and Asia. Meanwhile, we have broadened our customer base to include world-renowned packaging corporations in 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, in the coming months, 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.

Lamination metal project

Over the last few months, the Group has been making continuous progress. The capital injection of the Group's subsidiary, Novowell Lamination Technology (Taizhou) Limited ("Novowell Lamination"), has been completed by February 2014. The Group and the Japanese joint venture partner are holding 90.1% and 9.9% equity interests in Novowell Lamination respectively.

The Group is applying official licenses from various government authorities and once all approval obtained, the construction of project will commence. Meanwhile, planning and design of new plant and equipment are underway. The Group is working tightly with local authorities, construction designers and joint venture partners to ensure the new project will be binding with local environmental regulations and best fitted to market demand. The Group anticipates that the commencement of construction will start in the financial year ending 2015 ("FY2015"). This new project will help us to sustain business growth and become a new profit driver for the Group.

Tinplate processing business

Novo Development (Tianjin) Limited has been progressing well since commencement in the first half of FY2014. With the core focus market in Northern China, the plant is primarily focusing on serving various food and beverage packaging industry in pursuits of stringent food contact requirements. The opportunities in Northern China, like Shandong province and Tianjin, are particularly attractive as these regions are the manufacturing base for food and beverage in China, where the demand for tinplate processing is expected to grow strongly. Our key customer groups are can-makers and food and beverage manufacturers. We have customers engaged in long term contract that has a regular demand for quality food and beverage products and services. Those customers includes renowned canned tomato puree producers and leading metal can-makers in China. Novo understands the importance of quality products, flexibility and promptness delivery. Our marketing team is constantly in-touch with the customers while engineers and technical specialists offer professional advice and engineering solutions. Our in-depth product knowledge, service engineering expertise and years of tinplate processing experience, enable the Group to respond quickly and accurately to the needs of our customers.

With a view to capture the lucrative business opportunity in the Northern China, the Group is currently evaluating the development of the second phase and expansion of the processing facilities in Tianjin during FY2015. It is expected that the expansion of the processing facilities will feature new slitting lines and state-of-the-art metal printing lines that serves the premium metal packaging market with complex requirements. The Group is optimistic for the value added services provided by the new printing lines as it builds up competence close to metal packaging end users while carries higher margins. Through such expansion, the Group will be able to fulfill market demands with a broader range of products and services which will help attract more customers and in turn enhance the market share and profit margins.

Despite uncertainties in the global economy, looking forward, with the global economy gradually getting back on track and the Eurozone crises being at ease, China's economy is still expected to grow steadily. The Group will be staying close with the market and will realign business strategies to ensure the best interest for shareholders. For the second half of FY2014, Novo will place a strict control over risk management, stay close to strategic plan and steadily expand in the industry. While working on increasing turnover and profit, Novo will maintain a rigorous cost management strategy and with the objective of maximising shareholders' return.

11.Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

The Directors do not recommend any dividend for the third quarter ended 31 January 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). If no interested person transaction mandate has been obtained, a statement to that effect

The Company does not have any general mandate from shareholders pursuant to Rule 920.

14. Negative confirmation pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, 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 of Directors of the Company which may render the unaudited financial statements of the Group for the third quarter ended 31 January 2014 to be false or misleading in any material respect.

By order of the Board

Yu Wing Keung Dicky
Executive Chairman

Chow Kin Wa
Executive Director and CEO

10 March 2014