**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**THIS CIRCULAR CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE INDEPENDENT BOARD COMMITTEE (AS DEFINED HEREIN) OF NOVO GROUP LTD. AND THE ADVICE OF CIMB BANK BERHAD, SINGAPORE BRANCH, THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER IN SINGAPORE, AND THE ADVICE OF INVESTEC CAPITAL ASIA LIMITED, THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS IN RESPECT OF THE OFFER IN HONG KONG. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.**

**This Circular is issued by Novo Group Ltd. (the "Company"). If you are in any doubt as to any aspect of this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other independent professional adviser immediately.**

**If you have your Shares (as defined below) registered in the principal register of members of the Company in Singapore and if you have sold or transferred** all your ordinary shares in the capital of the Company ("**Shares**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with the CDP, you should immediately forward this Circular to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

**If you have your Shares registered in the branch register of members of the Company in Hong Kong and if you have sold or transferred** all your Shares, you should at once hand this Circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities in Hong Kong, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).



# NOVO GROUP LTD.
# 新源控股有限公司*

*(Company Registration No. 198902648H)*
*(Incorporated in Singapore with limited liability)*
**(Singapore Stock Code: MR8)**
**(Hong Kong Stock Code: 1048)**

## CIRCULAR TO SHAREHOLDERS

in relation to the

**MANDATORY UNCONDITIONAL CASH OFFER**

by

**DELOITTE & TOUCHE CORPORATE FINANCE LIMITED**
**AND**
**DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD**

for and on behalf of

**GOLDEN STAR GROUP LIMITED**
*(Incorporated in the British Virgin Islands with limited liability)*

to acquire all of the issued shares of the Company
other than those already owned by or agreed to be acquired by
Golden Star Group Limited and parties acting in concert with it

***Independent Financial Advisers***

**Independent Financial Adviser to the Independent Directors in respect of the Offer in Singapore**

**CIMB BANK BERHAD (13491-P)**
**SINGAPORE BRANCH**
(Incorporated in Malaysia)

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer in Hong Kong**

**Investec Capital Asia Limited**
(Incorporated in Hong Kong)

**SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES OF THE OFFER SHOULD BE RECEIVED BY 4:00 P.M. ON FRIDAY, 27 NOVEMBER 2015, OR SUCH LATER TIME AND/OR DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR**

A letter from the Board to the Shareholders is set out on pages 13 to 32 of this Circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Offer is set out on pages 33 to 34 of this Circular.

A letter from Investec Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer in Hong Kong, containing its advice and recommendation in connection with the Offer, is set out on Appendix II of this Circular. A letter from CIMB Bank Berhad, Singapore Branch, the independent financial adviser to the Independent Directors in respect of the Offer in Singapore, containing its advice and recommendation in connection with the Offer, is set out on Appendix I of this Circular.

This Circular will remain on the websites of the SEHK and the SGX-XT at *http://www.hkexnews.hk and http://sgx.com* respectively, and the Company at *http://www.novogroupltd.com* as long as the Offer remains open.

* *For identification purpose only*

13 November 2015

# CONTENTS

*In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:*

| | | |
|---|---|---|
| "ACRA" | : | The Accounting and Corporate Regulatory Authority of Singapore |
| "Acceptance Forms" | : | The SG FAA, the SG FAT and the HK FAT |
| "Acquisition" | : | Has the meaning ascribed to it in Section 1.1 in the Letter from the Board to Shareholders of this Circular |
| "acting in concert" | : | Has the meaning ascribed to it under the Singapore Takeover Code and/or the HK Takeovers Code (as the context may require), and references to "concert parties" shall be construed accordingly |
| "Articles" | : | The articles of association of the Company |
| "associate" | : | Has the meaning ascribed to it under the HK Takeovers Code and the Singapore Takeover Code (as the context may require) |
| "Board" | : | The Board of Directors of the Company |
| "Business Day(s)" | : | A day on which the SEHK is open for the transaction of business |
| "CCASS" | : | The Central Clearing and Settlement System established and operated by the HKSCC |
| "CDP" | : | The Central Depository (Pte) Limited of Singapore |
| "Circular" | : | This Circular to Shareholders dated 13 November 2015 issued by the Company to Shareholders in relation to the Offer (including, inter alia, the Appendices to this Circular) in accordance with the HK Takeovers Code and the Singapore Takeover Code (as the context may require) and any other Circular which may be issued by or on behalf of the Company to amend, revise, supplement or update this Circular from time to time |
| "Closing Date" | : | Friday, 27 November 2015, the first closing date of the Offer or such other later date revised or extended by the Offeror, with the consent of the Executive, in accordance with the HK Takeovers Code |

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| "Company" | : | Novo Group Ltd., a limited company incorporated in Singapore, whose shares are listed on the Main Board of the SGX-ST (Singapore Stock Code: MR8) and the Main Board of the SEHK (Hong Kong Stock Code: 1048) |
| "Completion" | : | Completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement, which took place on 5 October 2015 |
| "Completion Announcement" | : | The joint announcement made by the Company and the Offeror on 5 October 2015 in relation to, inter alia, the Completion and the Offer |
| "Completion Date" | : | 5 October 2015, the day on which Completion took place |
| "Condition(s)" | : | The condition(s) to the Completion, as set out in Section 3.1(b) in the Letter from the Board to Shareholders of this Circular |
| "Consideration" | : | The total consideration for the Sale Shares, being the sum of HK$351,931,505.93, for the Acquisition |
| "CPF" | : | Central Provident Fund |
| "CPF Agent Banks" | : | The banks approved by CPF to be its agent banks, being DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited |
| "CPFIS" | : | CPF Investment Scheme |
| "CPFIS Investors" | : | Investors who purchased Shares using their CPF contribution under the CPFIS |
| "Date of Receipt" | : | the date of receipt by the Share Registrar or CDP, on behalf of the Offeror, of the relevant duly completed Acceptance Form(s) and all related documents, as the case may be |
| "Deloitte (HK)" | : | Deloitte & Touche Corporate Finance Limited, the financial adviser to the Offeror in Hong Kong, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

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| "Deloitte (SG)" | : | Deloitte & Touche Corporate Finance Pte Ltd, the financial adviser to the Offeror in Singapore |
| "Deposit" | : | An aggregate of HK$30,000,000 paid by the Offeror to the Vendors on the date of the Sale and Purchase Agreement as a refundable deposit and part payment of the Consideration |
| "Directors" | : | The directors of the Company as at the Latest Practicable Date, and the term "Director" shall be construed accordingly |
| "Escrow Account" | : | The interest bearing deposit client bank account designated by the Escrow Agent for the purpose of holding the Escrow Amount in accordance with the terms and conditions of the Escrow Agreement |
| "Escrow Agent" | : | Leung & Lau, a firm of solicitors in Hong Kong and the legal adviser to the Vendors and the Company as to Hong Kong laws |
| "Escrow Agreement" | : | The escrow agreement dated 24 September 2015 and signed by and among the Vendors, the Offeror and the Escrow Agent in respect of the holding of the Escrow Amount upon Completion |
| "Escrow Amount" | : | The sum of HK$230,000,000 paid by the Offeror to the Escrow Agent at the Completion and the interest accrued thereon (if any) as standing to the credit of the Escrow Account |
| "Escrow Period" | : | The period commencing on the Completion Date and ending on the date falling six months from the Completion Date or an earlier date if the appointment of the Escrow Agent is terminated in accordance with the terms of the Escrow Agreement |
| "Executive" | : | The Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director |
| "FY" | : | Financial year ended 30 April |
| "Group" | : | The Company and its subsidiaries |
| "HK Branch Register" | : | The register of members of the Company in Hong Kong |

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| "HK Branch Registered Shareholders" | : | Shareholders whose Offer Shares are registered on the HK Branch Register |
| "HK Companies Ordinance" | : | Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| "HK FAT" | : | Form of Acceptance and Transfer for Offer Shares, as applicable to HK Branch Registered Shareholders |
| "HK Listing Rules" | : | The Rules Governing the Listing of Securities on the SEHK |
| "HK Takeovers Code" | : | The Hong Kong Code on Takeovers and Mergers |
| "HKSCC" | : | HKSCC Nominees Limited |
| "Hong Kong" or "HK" | : | The Hong Kong Special Administrative Region of the People's Republic of China |
| "IFA (HK)" or "Investec" | : | Investec Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer in Hong Kong, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |
| "IFA (SG)" or "CIMB" | : | CIMB Bank Berhad, Singapore Branch, the independent financial adviser to the Independent Directors in respect of the Offer in Singapore |
| "IFA (HK) Letter" and "IFA (SG) Letter" | : | Have the meaning ascribed to them in Section 6 in the Letter from the Board to Shareholders of this Circular |
| "Independent Board Committee" | : | An independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence, formed to make recommendation to the Independent Shareholders in relation to the terms of the Offer and its acceptance |

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| "Independent Directors" | : | The Directors who are considered independent under the Singapore Takeovers Code for the purposes of making the recommendation to the Shareholders in respect of the Offer, being Mr. Yu, Mr. Chow, Mr. Tang Chi Loong, Mr. Foo Teck Leong, Mr. Tse To Chung, Lawrence |
| "Independent Shareholders" | : | The Shareholders other than the Offeror, its ultimate beneficial owner and parties acting in concert with any of them |
| "Joint Announcements" | : | The announcements jointly released by the Company and the Offeror on the SEHK and SGX-ST on 24 September 2015 and 25 September 2015 respectively in relation to, inter alias, the entering into of the Sale and Purchase Agreement by the Vendors and the Offeror and the possible Offer to be made by Deloitte (SG) and Deloitte (HK) in Singapore and Hong Kong respectively |
| "Latest Practicable Date" | : | 10 November 2015, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein |
| "Long Stop Date" | : | 12 October 2015 (or such later date as may be agreed between the Vendors and the Offeror in writing) |
| "Market Day" | : | A day on which the SGX-ST is open for trading in securities |
| "Memorandum" | : | The memorandum of association of the Company |
| "Mr. Chow" | : | Mr. Chow Kin Wa, an executive Director and chief executive officer of the Company and one of the Vendors |
| "Mr. Yu" | : | Mr. Yu Wing Keung, Dicky, an executive Director and one of the Vendors |
| "New Page" | : | New Page Investments Limited, a company incorporated in the British Virgin Islands with limited liability and one of the Vendors and is beneficially owned as to 70% by Mr. Yu and as to 30% by Mr. Chow |

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| "Offer" | : | The mandatory unconditional cash offer made by Deloitte (HK) and Deloitte (SG) for and on behalf of the Offeror to acquire all the Offer Shares pursuant to Rule 26.1 of the HK Takeovers Code and Rule 14.1(a) of the Singapore Takeover Code, respectively |
| "Offer Document" | : | The document dated 30 October 2015 issued by the Offeror in relation to the Offer |
| "Offer Period" | : | Has the meaning ascribed thereto in the HK Takeovers Code and the Singapore Takeover Code (as the context may require), being the period commencing on Thursday, 13 August 2015 and ending on the Closing Date |
| "Offer Price" | : | the price at which the Offer is made, being the cash amount of HK$3.755 per Offer Share |
| "Offer Shares" | : | All the Shares other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it and the term "Offer Share" shall be construed accordingly |
| "Offeror" | : | Golden Star Group Limited, (formerly known as Star Astro Venture Limited), a company incorporated in the British Virgin Islands with limited liability |
| "Outstanding Guarantees" | : | The Relevant Guarantees which are not released in full on the last day of the Escrow Period |
| "Overseas Shareholders (Hong Kong)" | : | Shareholders whose addresses as shown in the HK Branch Register are outside Hong Kong and the term "Overseas Shareholder (Hong Kong)" shall be construed accordingly |
| "Overseas Shareholders (Singapore)" | : | Shareholders whose addresses are outside Singapore as shown in the register of members of the Company or, as the case may be, in the records of the CDP and the term "Overseas Shareholder (Singapore)" shall be construed accordingly |
| "Register of Members" | : | The register of members, both in Singapore and Hong Kong, of the Company |
| "related corporations" | : | Shall have the meaning ascribed to it in the Singapore Companies Act |

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| "Relevant Guarantees" | : | All guarantees and indemnities executed, given, provided, committed or undertaken up to and including the Completion Date by the Company in favour of banks, creditors or any other persons which have extended, advanced, granted facilities or loans to the Group or in respect of any outstanding indebtedness, commitments or other liabilities incurred or suffered by the Group except for those specified in the Escrow Agreement |
| "Relevant Period" | : | The six-month period preceding the commencement date of the Offer Period i.e. 13 August 2015 and ending on and including the Latest Practicable Date |
| "Sale Shares" | : | An aggregate of 93,723,437 Shares acquired by the Offeror on the Completion Date pursuant to the Sale and Purchase Agreement, representing approximately 54.87% of the total issued share capital of the Company as at the Latest Practicable Date |
| "Sale and Purchase Agreement" | : | The sale and purchase agreement dated 14 August 2015 entered into by and among the Vendors and the Offeror for the sale and purchase of the Sale Shares |
| "Securities" | : | Securities which carry voting rights in the Company, including but not limited to the Shares |
| "Securities Account" | : | A securities account maintained by a Depositor with CDP, but does not include a securities sub-account |
| "Securities and Futures Act (SFA)" | : | The Securities and Futures Act of Singapore (Chapter 289), as amended or modified from time to time, and the term "SFA" shall be construed accordingly |
| "SEHK" | : | The Stock Exchange of Hong Kong Limited |
| "SFC" | : | The Securities and Futures Commission of Hong Kong |
| "SFO" | : | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SG FAA" | : | Form of Acceptance and Authorisation, as applicable to Shareholders whose Offer Shares are registered in the Singapore Register and are deposited with CDP |

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| "SG FAT" | : | Form of Acceptance and Transfer for Offer Shares, as applicable to Shareholders whose Offer Shares are registered in the Singapore Register but are not deposited with CDP |
| "SGXNET" | : | SGX-ST's website at www.sgx.com |
| "SGX-ST" | : | Singapore Exchange Securities Trading Limited |
| "Share Registrar" | : | Boardroom Corporate & Advisory Services Pte Ltd (principal share registrar and transfer office of the Company in Singapore) and Boardroom Share Registrars (HK) Limited (branch share registrar and transfer office of the Company in Hong Kong), as the case may be |
| "Shareholders" | : | Registered holders of Shares in the Register of Members, except that: (i) where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares; and (ii) where the registered holder is HKSCC, the term "Shareholders" shall, in relation to such Shares, mean the depositors whose securities accounts are maintained by HKSCC or other licensed securities dealers or registered institutions in securities, or custodian banks through CCASS, and the term "Shareholder" shall be construed accordingly |
| "Shares" | : | Ordinary shares in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares and the term "Share" shall be construed accordingly |
| "SIC" | : | Securities Industry Council of Singapore |
| "Singapore Companies Act" | : | The Companies Act of Singapore (Chapter 50) |
| "Singapore Listing Manual" | : | The listing manual of the Mainboard of the SGX-ST |
| "Singapore Register" | : | The register of members of the Company in Singapore |
| "Singapore Takeover Code" | : | The Singapore Code on Take-overs and Mergers |

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| "subsidiaries" | : | Has the meaning ascribed to it under the HK Listing Rules and/or the Singapore Companies Act (as the context may require) |
| "Vendors" | : | New Page, Mr. Yu and Mr. Chow, 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 |
| "S$" | : | Singapore dollars, being the lawful currency of Singapore |
| "HK$" | : | Hong Kong dollars, the lawful currency of Hong Kong |
| "US$" | : | United States dollars, the lawful currency of the United States of America |
| "%" or "per cent." | : | Percentage or per centum |

**Depositors.** The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Singapore Companies Act.

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

**References.** Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

**Rounding.** Any discrepancies in figures included in this Circular between the amounts listed and their actual values are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

**Sections.** Any reference in this Circular to a section is a reference to a section of this Circular, unless otherwise stated.

**Shareholders.** References to "you", "your" and "yours" in this Circular are, as the context so determines, to Shareholders (including persons whose Offer Shares are deposited with CDP or HKSCC or who have purchased Offer Shares on the SGX-ST or the SEHK).

**Statutes or ordinances.** Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended, supplemented or re-enacted. Any word defined under the SFA, SFO, Singapore Companies Act, Singapore Takeover Code, HK

Companies Ordinance, HK Listing Rules, HK Takeovers Code or any statutory or regulatory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning ascribed to it under the respective enactment, as the case may be, unless the context otherwise requires.

**Time and date.** Any reference to a time of day and date in this Circular is made by reference to Singapore and Hong Kong time and date, unless otherwise stated.

Statements which are reproduced in their entirety from the Offer Document and the IFA (SG) Letter and IFA (HK) Letter are set out in this Circular in italics and all capitalised terms and expressions used within these reproduced statements shall have the same meanings ascribed to them in the Offer Document and the IFA (SG) Letter and IFA (HK) Letter respectively.

# CAUTIONARY NOTES ON FORWARD LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s or the Offeror’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company and the Offeror assumes no obligation to update publicly or revise any forward-looking statement.

**The timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made by or on behalf of the Company and/or the Offeror as and when appropriate.**

| | | |
|---|---|---|
| Commencement date of the Offer *(Note 1)* | : | Friday, 30 October 2015 |
| Date of despatch of the Offer Document | : | Friday, 30 October 2015 |
| Date of despatch of this Circular | : | Friday, 13 November 2015 |
| Latest time and date for acceptance of the Offer *(Note 2)* | : | 4:00 p.m. on Friday, 27 November 2015 |
| Closing Date *(Note 2)* | : | Friday, 27 November 2015 |
| Announcement of the results of the Offer and the level of acceptances (or its extension or revision, if any) as at the Closing Date to be posted on the SEHK's website *(Note 3)* | : | by 7:00 p.m. on Friday, 27 November 2015 |
| Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offer *(Note 4)* | : | Monday, 7 December 2015 |

*Notes:*

1. The Offer is being made on Friday, 30 October 2015, being the date of posting of the Offer Document, and is capable of acceptance from that date.

2. The Offer, which is unconditional, will close on Friday, 27 November 2015 and the latest time for acceptance is 4:00 p.m. on Friday, 27 November 2015, unless the Offeror revises or extends the Offer, with the consent of the Executive and the SIC, in accordance with the HK Takeovers Code and the Singapore Takeover Code.

3. An announcement will be published on the website of the SEHK by 7:00 p.m. on Friday, 27 November 2015 stating whether the Offer has closed, or been revised or extended. In the event that the Offeror decides to extend or revise the Offer, the announcement will state the next closing date of the Offer or include a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing, by way of an announcement, will be given before the Offer is closed to those Shareholders who have not accepted the Offer.

4. A cheque for the amount due to each Shareholder who validly accepts the Offer (less sellers' ad valorem stamp duty payable for the Offer Shares tendered by him or her under the Offer) will be despatched to the accepting Shareholder by ordinary post at his or her own risk as soon as possible (or by such other manner as the accepting Shareholders who have their Shares registered in the Singapore Register may have agreed with CDP for the payment of any cash distribution) but in any event within the period ending on the earlier of (i) seven Business Days, and (ii) ten days, following the Date of Receipt.

# NOVO GROUP LTD.
# 新源控股有限公司*

*(Company Registration No. 198902648H)*
*(Incorporated in Singapore with limited liability)*
**(Singapore Stock Code: MR8)**
**(Hong Kong Stock Code: 1048)**

**Board of Directors:**
Zhu Jun
*(Executive Chairman and Executive Director)*
Yu Wing Keung, Dicky
*(Executive Director)*
Chow Kin Wa
*(Chief Executive Officer and Executive Director)*
Wang Jianqiao
*(Executive Director)*
Tang Chi Loong
*(Independent non-executive Director)*
Foo Teck Leong
*(Independent non-executive Director)*
Tse To Chung, Lawrence
*(Independent non-executive Director)*

**Registered Office:**
24 Raffles Place
#10-05 Clifford Centre
Singapore 048621

**Headquarters and Principal Place of Business in Hong Kong:**
Rooms 1109-1111, 11th Floor
China Merchants Tower
Shun Tak Centre
168 Connaught Road Central
Hong Kong

13 November 2015

*To: The Shareholders*

Dear Sir/Madam,

## MANDATORY UNCONDITIONAL CASH OFFER BY DELOITTE (HK) AND DELOITTE (SG), FOR AND ON BEHALF OF THE OFFEROR, TO ACQUIRE THE OFFER SHARES

## 1. INTRODUCTION

### 1.1. Joint Announcements

As stated in the holding announcement made by the Company on 17 August 2015, the update announcement made by the Offeror on 1 September 2015 and the Joint Announcements, the Offeror had, on 14 August 2015, entered into a conditional Sale and Purchase Agreement with the Vendors, 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 immediately prior to Completion. The Consideration for the Sale Shares is HK$351,931,505.93, which is equivalent to approximately HK$3.755 per Sale Share (the "**Acquisition**").

* *For identification purpose only*

As stated in the Completion Announcement, Completion took place on 5 October 2015. As Mr. Zhu Jun (the sole shareholder and a director of the Offeror) purchased 400,000 Shares at a price of HK$3.54 per Share and 300,000 Shares at a price of HK$3.56 per Share on 25 September 2015, immediately upon Completion, the Offeror and parties acting in concert with it owned a total of 94,423,437 Shares, representing approximately 55.28% of the total issued Shares in the capital of the Company.

In accordance with Rule 14.1(a) of the Singapore Takeover Code, Deloitte (SG) has, for and on behalf of the Offeror, made the Offer for the Offer Shares in Singapore, on the terms set out in the Offer Document, and in compliance with the Singapore Takeover Code.

In accordance with Rule 26.1 of the HK Takeovers Code, Deloitte (HK) has, for and on behalf of the Offeror, made the Offer for the Offer Shares in Hong Kong, on the terms set out in the Offer Document, and in compliance with the HK Takeovers Code.

A copy of the above announcements is available on the website of the SGX-ST at www.sgx.com and the website of the SEHK at www.hkexnews.hk.

**1.2. Independent Directors pursuant to the Singapore Takeover Code**

All the Directors, except Mr. Zhu Jun and Ms. Wang Jianqiao, are independent for the purpose of the Offer and are required to make a recommendation to the Independent Shareholders in respect of the Offer under the Singapore Takeover Code. The SIC has ruled on 4 November 2015 that Mr. Zhu Jun and Ms. Wang Jianqiao are exempted from the requirement to make a recommendation to the Independent Shareholders on the Offer as they face an irreconcilable conflict of interest in doing so, Mr. Zhu Jun being the sole shareholder and a director of the Offeror, and Ms. Wang Jianqiao being a director and the Vice President of the Offeror. Hence, they are parties acting in concert with the Offeror and are also responsible for the strategic planning of the Offeror, including the Offer.

**1.3. Independent Board Committee pursuant to the HK Takeovers Code**

An Independent Board Committee comprising all three independent non-executive Directors has been established to make a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable in respect of the Independent Shareholders and as to its acceptance.

**1.4. Offer Document**

Shareholders should have by now received a copy of the Offer Document despatched by the Offeror on 30 October 2015, setting out, inter alia, the formal offer by the Offeror for the Offer Shares, subject to the terms and conditions set out in the Offer Document.

**Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com and the website of the SEHK at www.hkexnews.hk.

**1.5. Independent financial advisers**

Investec has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer in Hong Kong as to whether the Offer is fair and reasonable in respect of the Independent Shareholders and as to its acceptance. CIMB has been appointed as the independent financial adviser to the Company to advise the Independent Directors in respect of the Offer in Singapore as to whether the Offer is fair and reasonable and as to its acceptance. The appointments of IFA (HK) and IFA (SG) have been approved by the Independent Board Committee.

**1.6. Purpose of this Circular**

The purpose of this Circular is to provide Shareholders with relevant information relating to the Offer and to set out the recommendation of the Independent Board Committee and the Independent Directors and the advice of the IFA (HK) and IFA (SG) in respect of the Offer.

**Shareholders should carefully consider the advice of IFA (SG) and IFA (HK) to the Independent Directors and the Independent Board Committee respectively set out in this Circular before deciding whether or not to accept the Offer.**

**2. THE OFFER**

**2.1. The Offer Terms**

The information relating to the Offer has been extracted from Section 2 headed "The Offer" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document unless otherwise stated.

***"2. THE OFFER***

*Deloitte (HK), the financial adviser to the Offeror in Hong Kong, and Deloitte (SG), the financial adviser to the Offeror in Singapore, are making the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code and the Singapore Takeovers Code respectively on the following terms:*

*For each Offer Share . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . HK$3.755 in cash*

*The Offer Shares will be acquired under the Offer (i) fully paid; (ii) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever, and (iii) together with all rights, benefits, entitlements attached thereto as at the date of the Possible Offer Announcement and hereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, made or paid by the Company on or after the date of the Possible Offer Announcement.*

*As at the Latest Practicable Date, the Company had not declared, made or paid any dividends, rights or any other distributions since the date of the Possible Offer Announcement.*

*The Offer is not subject to any conditions. It will be open for acceptance from the date of the Offer Document for a period of 28 days, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code and the Singapore Takeovers Code.*

*Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code and the Singapore Takeovers Code.*

*Further details on the terms of the Offer and details of the procedures for acceptance and settlement of the Offer are set out in Appendix I – "Further Terms of the Offer" to the Offer Document and in the accompanying relevant Acceptance Forms."*

**2.2. Duration of the Offer**

The information relating to the duration of the Offer has been extracted from Section 2 headed "The Offer" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document unless otherwise stated.

*"The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the Executive and the SIC. Accordingly, the Offer will close at 4:00 p.m. on Friday, 27 November or such later date(s) as may be announced from time to time by or on behalf of the Offeror.*

*If the Offer is extended, the announcement of the extension is not required to state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer. The Offeror is not obliged to extend the Offer.*

*Taking into account of Rule 15.5 of the Takeovers Code and Rule 20.9 of the Singapore Takeovers Code, the Offer (whether revised or not) will not be capable of being kept open after 5:30 p.m. on the 60th day after the Despatch Date unless both the Executive and the SIC have granted consent to extend the Offer beyond such 60-day period (“***Final Day Rule***”). ”*

**2.3. Further details of the Offer**

Further details of the Offer, including details on (i) the settlement of consideration for the Offer, (ii) the requirements relating to the announcement of the level of acceptances of the Offer, and (iii) the right of withdrawal of acceptances of the Offer, are set out in **Appendix I** to the Offer Document.

**2.4. Procedures for Acceptance**

The procedures for acceptance of the Offer are set out in **Appendix I** to the Offer Document.

## 3. ACQUISITION OF SHARES BY THE OFFEROR FROM THE VENDORS

The Company was informed by the Vendors that on 14 August 2015, the Vendors and the Offeror entered into the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement are set out below.

**3.1. The Sale and Purchase Agreement**

Date : 14 August 2015

Parties : (i) New Page as one of the Vendors;

(ii) Mr. Yu as one of the Vendors;

(iii) Mr. Chow as one of the Vendors; and

(iv) Golden Star Group Limited as the purchaser (and Offeror).

*(a) Consideration for the Sale Shares*

The Consideration for the Sale Shares of HK$351,931,505.93, equivalent to approximately HK$3.755 per Sale Share, was determined between the Offeror and the Vendors after arm’s length negotiations and is payable as follows:

(i) Upon the signing of the Sale and Purchase Agreement, the Offeror shall pay to the Vendors an aggregate amount of HK$30,000,000 as refundable Deposit and part payment of the Consideration in cash. If any of the Conditions is not fulfilled (or waived by the Offeror) on or before the Long Stop Date, the Vendors shall return an amount equal to the Deposit to the Offeror (or as it may direct);

(ii) at Completion, an amount equal to HK$230,000,000 shall be payable by the Offeror to the Escrow Agent which will be held by the Escrow Agent in accordance with the terms of the Escrow Agreement for the purpose of facilitating the release and discharge of the Relevant Guarantees in accordance with the terms of the Escrow Agreement; and

(iii) at Completion, an amount equal to HK$91,931,505.93 shall be payable by the Offeror to the Vendors in cash for the payment of the remaining balance of the Consideration.

The Consideration shall be distributed among the Vendors in the following manner:

| **The Vendors** | **Number of Sale Shares** | **Total Consideration receivable** *(HK$)* |
|---|---|---|
| New Page | 82,983,750 | 311,603,981.25 |
| Mr. Yu | 8,271,531 | 31,059,598.90 |
| Mr. Chow | 2,468,156 | 9,267,925.78 |
| **Total** | **93,723,437** | **351,931,505.93** |

*(b) Conditions of Completion*

Completion shall be conditional upon:

(i) where necessary, all necessary consents, approvals, waivers and authorisations required to be obtained by the parties to the Sale and Purchase Agreement in respect of the Sale and Purchase Agreement and the transactions contemplated thereby (including but not limited to those consents or waivers from the banks not to enforce their rights and remedies under the banking facilities entered into by the Group against the change in control of the Group as a result of the Vendors' entering into and performance of the Sale and Purchase Agreement and the transactions contemplated thereby) having been obtained;

(ii) the listing of the Shares not having been withdrawn, the Shares continuing to be traded on the SEHK and SGX-ST prior to the Completion Date (save for any temporary suspension for no longer than 5 consecutive trading days or such other period as the Offeror may agree in writing or the temporary suspension in connection with transactions contemplated under the Sale and Purchase Agreement) and neither the SEHK, SGX-ST, the SFC nor the SIC having indicated that either one of them will object to such continued listing for reasons related to or arising from the transactions contemplated under the Sale and Purchase Agreement; and

(iii) the SEHK, SGX-ST, the SFC and the SIC advising that they have no further comment on the joint announcement released on 24 September 2015 in connection with the transactions contemplated under the Sale and Purchase Agreement and the publication of the said announcement on the SEHK's and SGX-ST's website.

The Offeror has confirmed that Condition (i) has been fulfilled.

The Offeror may, at its absolute discretion, waive any of the Conditions. As at 24 September 2015, the Offeror has confirmed that it would waive:

(1) Condition (ii) regarding the SIC not having indicated that it will object to the continued listing for reasons related to or arising from the transactions contemplated under the Sale and Purchase Agreement; and

(2) Condition (iii) regarding SGX-ST and the SIC advising that they have no further comment on the joint announcement released on 24 September 2015 in connection with the transactions contemplated under the Sale and Purchase Agreement.

The Vendors have fulfilled the other Conditions on or before the Long Stop Date.

The Vendors have given to the Offeror certain representations and warranties which are mainly in respect of (among others) the Sale Shares and capacity of the Vendors, share capital, corporate matters, legal compliance, financial conditions, business, material transactions, employment arrangement, properties and intellectual property rights in relation to the Company and/ or other companies within the Group, in particular, but without limitation to the release and discharge of the Relevant Guarantees in full without any restrictions or conditions within 6 months from the date of Completion.

The Vendors shall indemnify the Offeror from and against all losses directly or indirectly suffered or incurred by the Offeror or any members of the Group as a result of or in connection with any breach of any of the warranties or any failure to duly perform or observe any of the obligations, undertakings, indemnities or covenants of the Vendors required to be performed and observed by them under the Sale and Purchase Agreement.

*(c) Completion*

As stated in the Completion Announcement, Completion has taken place on 5 October 2015.

**3.2. The Escrow Agreement**

On 24 September 2015, the Offeror, the Vendors and the Escrow Agent entered into the Escrow Agreement whereby the Escrow Agent has been appointed to hold and administer the Escrow Amount on the terms and conditions of the Escrow Agreement.

Pursuant to the Escrow Agreement, the Offeror and the Vendors shall give joint instructions to the Escrow Agent from time to time during the Escrow Period to release funds from the Escrow Account to certain creditors of the Group for the purposes of repaying some or all of the outstanding indebtedness incurred by the Group with the intent that the Relevant Guarantees given by the Company for securing the payment obligation of the Group in respect of such outstanding indebtedness will be released and discharged. As at 30 April 2015, such outstanding indebtedness amounted to approximately HK$370 million.

Upon the expiry of the Escrow Period, the balance of the Escrow Account will be dealt with in the following manner:

(i) if all of the Relevant Guarantees are released in full and there is a balance in the Escrow Account, such balance will be released to the Vendors;

(ii) if there are Outstanding Guarantees, and

  a. the balance of the Escrow Account is greater than the underlying indebtedness secured by such Outstanding Guarantees, the Offeror and the Vendors shall jointly instruct the Escrow Agent to release part of the balance to the extent that such amount will be applied to repay all of such outstanding indebtedness such that the Outstanding Guarantees will be released in full. Any remaining sum in the Escrow Account will be released to the Vendors; or

  b. the balance of the Escrow Account is equal to or less than the underlying indebtedness secured by such Outstanding Guarantees, the Offeror and the Vendors shall jointly instruct the Escrow Agent to release the entire balance of the Escrow Account which will be applied to repay some of the underlying indebtedness of the Group secured by the Outstanding Guarantee, and the shortfall of the remaining unpaid underlying indebtedness shall be paid by the Vendors to the relevant creditors within 30 business days from the expiry of the Escrow Period.

The amount released from the Escrow Account to repay some or all of the underlying indebtedness of the Group secured by the Relevant Guarantees and, where applicable, payment by the Vendors to the creditors for the remaining unpaid underlying indebtedness as described in (ii)(b) above will constitute interest-free and unsecured loans advanced by New Page to the Company. The Vendors have undertaken that they will not demand for repayment of such loans for a period of 2 years after the Completion Date.

## 4. INFORMATION ON THE OFFEROR

The information on the Offeror has been extracted from Section 7 headed "Information on the Offeror" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 11 August 2015. Its sole shareholder is Mr. Zhu and its directors are Mr. Zhu and Ms. Wang.*

*For the biographical information of Mr. Zhu and Ms. Wang, please refer to the paragraph headed "Proposed Change of Board Composition" in this letter.*

*Further details on the Offeror are set out in Appendix III – "Additional Information on the Offeror" to the Offer Document."*

## 5. REASONS FOR THE OFFER AND INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

The full text of the reasons for the Offer and intention of the Offeror in relation to the Company has been extracted from Section 4 headed "Reasons for the Offer and Intention of the Offeror in relation to the Company" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

*"The Offer is made to comply with the requirements of the Takeovers Code and the Singapore Takeovers Code because following Completion, the Offeror together with its concerted parties hold an aggregate of 94,423,437 Shares, representing approximately 55.28% of the total number of Shares as at the Latest Practicable Date.*

*The Offeror and its affiliates together are an investment and business conglomerate which invests and operates in many industries. The Offeror considers the principal business of the Company to be a strategic fit with the business of the Offeror and its affiliates. The Offeror intends to leverage the trading platform of the Company and its extensive experience and will, from time to time, conduct review on the operations of the Company, with a view to developing a comprehensive business strategy to achieve a sustainable competitive advantage and business growth. Therefore, the Offeror considers the Offer to be in its and the Company's long term commercial interest.*

*Following the close of the Offer, the Offeror intends that the Group will continue the principal business of the Group and will maintain the listing status of the Company on the Main Board of the Stock Exchange and on the SGX-ST.*

*The Offeror will conduct a review of the business activities and assets of the Group for the purpose of developing a strategic business plan for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.*

*As at the Latest Practicable Date, no such investment or business opportunities had been confirmed nor had the Offeror entered into any agreement or arrangement in relation to the injection of any assets or business into the Group. Further, as at the Latest Practicable Date, the Offeror had no intention to (i) discontinue the employment of the employees of the Group (save for the change in the composition of the Board); (ii) introduce any major changes to the businesses of the Company or to the operations of any of its subsidiaries; or (iii) dispose of or re-deploy the fixed assets of the Group other than those in its ordinary course of business.*

*The intentions of the Offeror for the Company as set out in this section are based on current views and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Offeror. There is no assurance that the current intentions will be carried into effect, and the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Offeror or the Company."*

## 6. ADVICE OF IFA (SG) AND IFA (HK)

For Independent Shareholders who have their Shares registered in the Singapore Register, you are advised to read the IFA (SG) Letter and the recommendations stated therein. For Independent Shareholders who have their Shares registered in the HK Branch Register, you are advised to read the IFA (HK) Letter and the recommendations stated therein only. For Independent Shareholders who have their Shares registered in the Singapore Register as well as the HK Branch Register, you are advised to read the IFA (SG) Letter and the IFA (HK) Letter and the recommendations stated therein respectively.

### 6.1. IFA (SG)

CIMB has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer in Singapore. Shareholders should read the letter from CIMB in its entirety and consider carefully the recommendation of the Independent Directors and the advice of CIMB to the Independent Directors before deciding whether to accept or reject the Offer. CIMB's advice is set out in its letter dated 13 November 2015, as set out in Appendix I to this Circular ("**IFA (SG) Letter**").

### 6.2. IFA (HK)

Investec has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer in Hong Kong. Shareholders should read the letter from Investec in its entirety and consider carefully the recommendation of the Independent Board Committee and the advice of Investec to the Independent Board Committee and the Independent Shareholders before deciding whether to accept or reject the Offer. Investec's advice is set out in its letter dated 13 November 2015, as set out in Appendix II to this Circular ("**IFA (HK) Letter**").

### 6.3. Key Factors Taken into Consideration by CIMB

In arriving at its recommendation, CIMB has taken into consideration certain factors, an extract of which is set out in italics below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA (SG) Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA (SG) Letter.

*"In arriving at our advice to the Independent Directors on the Offer, we have considered, inter alia, the following factors which should be read in the context of the full text of this letter:*

*(i) The Group's financial performance has been deteriorating over the last three financial years as shown by decreasing revenue and widening losses attributable to owners of the Company;*

*(ii) The Group's net gearing increased significantly to approximately 3.1 times in FY2015;*

*(iii) The Shares have not traded at or above the Offer Price for the last 3 years prior to the Joint Announcement Date;*

*(iv) The Offer Price represents a premium of approximately 246.9%, 228.5%, 191.8%, 163.6%, 151.9% and 188.1% above the VWAP of the Shares for the 3-year, 2-year, 1-year, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date respectively;*

*(v) The Offer Price represents a premium of approximately 161.5% above the last traded price of the Shares of S$0.260 on the Last Trading Day;*

*(vi) The Shares had traded between a low of S$0.600 and a high of S$0.685 for the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;*

*(vii) The Offer Price represents a premium of approximately 4.6% above the VWAP of the Shares for the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;*

*(viii) The Offer Price represents a premium of approximately 3.0% above the last traded price of the Shares as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;*

*(ix) It is likely that the market prices of the Shares after the Trading Suspension is highly influenced by the Offer and may not be maintained at such levels after the close of the Offer;*

*(x) The average daily traded volume of the Shares for the 3-year, 2-year, 1-year, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date represented approximately 0.06%, 0.06%, 0.07%, 0.06%, 0.07% and 0.09% of the free float of the Shares respectively;*

*(xi) The traded volume of the Shares on the Last Trading Day represented approximately 0.41% of the free float of the Shares;*

*(xii) For the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, the average daily traded volume of the Shares represented approximately 0.50% of the free float of the Shares;*

*(xiii) The average daily traded volume of the Shares on 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, represented approximately 0.22% of the free float of the Shares;*

*(xiv) It is likely that the increase in trading volume of the Shares after the Trading Suspension is highly influenced by the Offer and may not be maintained at such levels after the close of the Offer;*

*(xv) The Shares have generally outperformed the overall Singapore stock market since November 2014 up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;*

*(xvi) The Offer Price represents a substantial premium of approximately 653.5% to the NAV per Share of approximately 6.37 US cents per Share as at 31 July 2015;*

*(xvii) The Offer Price represents a premium of approximately 420.5% to the RNAV per Share;*

*(xviii) The historical P/NAV multiple of the Company of approximately 7.5 times as implied by the Offer Price is above the range of the historical P/NAV multiples of the Comparable Companies;*

*(xix) The premia implied by the Offer Price over the VWAP for the 1 month period prior to the Trading Suspension and VWAP for the 3 month period prior to the Trading Suspension are significantly above the range of the corresponding premia of the Non-Privatisation Transactions;*

*(xx) The premium implied by the Offer Price over the last transacted price prior to the Trading Suspension is significantly above the range of the corresponding premia of the Non-Privatisation Transactions;*

*(xxi) The P/NAV multiple of approximately 7.5 times as implied by the Offer Price is above the range of the corresponding P/NAV multiples of the Non-Privatisation Transactions;*

*(xxii) The P/RNAV multiple of approximately 5.2 times as implied by the Offer Price is above the range of the corresponding P/RNAV multiples of the Non-Privatisation Transactions;*

*(xxiii) The Company has not been declaring any dividend on its Shares in respect of the last two financial years; and*

*(xxiv) Other relevant considerations as set out in section 7.7 of this letter."*

**6.4. Advice of CIMB**

Having regard to the considerations set out in the IFA (SG) Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, CIMB has made certain recommendations to the Independent Directors, an extract of which is set out in italics below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA (SG) Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA (SG) Letter.

***"Based upon, and having considered, inter alia, the factors described above and the information that has been made available to us as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, and/or the Latest Practicable Date, we are of the opinion that the financial terms of the Offer are fair and reasonable under the market, economic and other relevant conditions prevailing as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, and/or the Latest Practicable Date.***

*Accordingly, the Independent Directors may wish to consider advising the Shareholders as follows:*

*Shareholders who wish to take this opportunity to realise their investments in the Company in the near term and/or who are not confident and optimistic about their equity investments in the Company and/or are not prepared to accept the uncertainties facing the future prospects of the Company under the control of the Offeror, should* ***ACCEPT*** *the Offer or sell their Shares on the open market if they can obtain a price higher than the Offer Price, after taking into account all relevant expenses such as brokerage commissions in connection with open market transactions."*

**6.5. Key Factors Taken into Consideration by Investec**

In arriving at its recommendation, Investec has taken into consideration certain factors, an extract of which is set out below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA (HK) Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA (HK) Letter.

*"Having considered the principal factors and reasons as set out in this letter, in particular:*

*(i) the Offer Price represents a notable premium to the closing price of the Shares for the entire First Review Period;*

*(ii) the Offer Price represents a premium of approximately 114.6% to the closing price of the Shares as at Last Trading Day of approximately HK$1.75 per Share as quoted on the SEHK on the Last Trading Day;*

*(iii) the Offer Price represents a significant premium of (a) approximately 486.7% over the audited consolidated net asset value per Share (based on the number of the issued Shares as at 30 April 2015) of the Company of approximately HK$0.64 as at 30 April 2015; and (b) approximately 666.3% over the unaudited consolidated net asset value per Share (based on the number of the issued Shares as at 31 July 2015) of the Company of approximately HK$0.49 as at 31 July 2015;*

*(iv) the Offer Price represents an implied P/B ratio of approximately 5.86 times which is higher than the average and maximum P/B ratio of the Comparable Companies;*

*(v) the notable increase in the average daily trading volume of the Shares in February 2015 is considered to be an isolated occurrence, it is noted that the average daily trading volume of the Shares during the (i) First Review Period (excluding February 2015); and (ii) the Pre-Announcement Period represent approximately 1.2% and 0.5% of the Public Float, and thus the Independent Shareholders might not be able to dispose of a significant shareholding in the Company in the market without exerting a downward pressure on the market price of the Shares while the Offer represents an alternative exit for the Independent Shareholders to realise their investments in the Shares at the Offer Price; and*

*(vi) the Group has been loss making for the most recent two completed financial years ended 30 April 2014 and 2015, and for the three months ended 31 July 2015 and the audited loss attributable to the owners of the Company has increased notably by 66.5% year on year to approximately HK$171.5 million for the year ended 30 April 2015,"*

**6.6. Advice of Investec**

Having regard to the considerations set out in the IFA (HK) Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, Investec has made certain recommendations to the Independent Board Committee and the Independent Shareholders, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA (HK) Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA (HK) Letter.

*"we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer."*

## 7. RECOMMENDATION OF THE INDEPENDENT DIRECTORS AND THE INDEPENDENT BOARD COMMITTEE

### 7.1. Recommendation of the Independent Directors Pursuant to the Singapore Takeover Code

The Independent Directors, having considered carefully, amongst other things, the terms of the Offer and the advice given by CIMB to the Independent Directors in the IFA (SG) Letter, **CONCUR** with the advice of CIMB in respect of the Offer in Singapore. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer.

### 7.2. Recommendation of the Independent Board Committee Pursuant to the HK Takeovers Code

The Independent Board Committee, having considered carefully, amongst other things, the terms of the Offer and the advice given by Investec to the Independent Board Committee and the Independent Shareholders in the IFA (HK) Letter, **CONCUR** with the advice of Investec in respect of the Offer in Hong Kong. Accordingly, the Independent Board Committee recommends that Independent Shareholders **ACCEPT** the Offer.

**Shareholders are advised to read the IFA (SG) Letter and the IFA (HK) Letter set out in Appendices I and II respectively to this Circular carefully before deciding whether to accept or reject the Offer. Shareholders should note that the advice of CIMB and Investec and the recommendation of the Independent Directors and the Independent Board Committee should not be relied on by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.**

**Further, in rendering the above recommendation, the Independent Directors and the members of the Independent Board Committee have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder.**

**As different Shareholders would have different investment objectives and profiles, the Independent Directors and the Independent Board Committee recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

## 8. ACTION TO BE TAKEN BY THE SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than **4:00 p.m. (Singapore and Hong Kong time) on Friday, 27 November 2015 or such later time and/or date(s) as may be announced from time to time by or on behalf of the Offeror**. Shareholders who wish to accept the Offer should refer to **Appendix I** to the Offer Document which sets out the procedures for acceptance of the Offer.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document (including the Acceptance Forms) which has been sent to them.

## 9. OVERSEAS SHAREHOLDERS

### 9.1. Overseas Shareholders

Shareholders whose addresses are outside Singapore and Hong Kong ("**Overseas Shareholder(s)**") as shown in the Register of Members of the Company or, as the case may be, in the records of CDP should refer to Section headed "2. The Offer – Overseas Shareholders and Overseas Shareholders (Singapore)" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document, the full text of which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"The Offeror intends to make the Offer available to all Independent Shareholders. However, the Offer is in respect of securities of a company incorporated in Singapore and is subject to the procedural and disclosure requirements of Hong Kong and Singapore, which may be different from other jurisdictions.*

*The Independent Shareholders who are also Overseas Shareholders and/or Overseas Shareholders (Singapore) who wish to participate in the Offer are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders and/or Overseas Shareholders (Singapore) should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers.*

***It is the responsibility of each Overseas Shareholder and/or Overseas Shareholders (Singapore) who wishes to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent and any registrations or fillings which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and/or Overseas Shareholders (Singapore) in respect of such jurisdictions).***

***Each Overseas Shareholder and/or Overseas Shareholders (Singapore) who wishes to accept the Offer is also fully responsible for other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. The Offeror, Deloitte (HK), Deloitte (SG), CDP and any person involved in the Offer shall be entitled to be fully indemnified and held harmless by you for any taxes, imports, duties or requisite payment as you may be required to pay.***

***Acceptances of the Offer by any such person will be deemed to constitute a representation and warranty by such person to the Offeror that the local laws and requirements have been complied with and such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws.***

*The Offeror reserves the right to notify any matter, including the making of the Offer, to Overseas Shareholders and Overseas Shareholders (Singapore) by announcement or by advertisement in a newspaper which may not be circulated in the jurisdiction in which the Overseas Shareholders and Overseas Shareholders (Singapore) are resident. The notice will be deemed to have been sufficiently given, despite any failure by an Overseas Shareholder and/or Overseas Shareholders (Singapore) to receive or see that notice.*

*In relation to Shareholders with Shares listed on the SGX-ST, the making of the Offer to Overseas Shareholders (Singapore) may be affected by laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders (Singapore) should inform themselves about and observe any applicable legal requirements. For the avoidance of doubt, the Offer is made to all Shareholders including those to whom the Offer Document and the FAA SG and/or the FAT SG have not been, or will not be, sent."*

### 9.2. Copies of Circular

The Offeror intends to make the Offer available to all Independent Shareholders.

Any Overseas Shareholder may obtain copies of this Circular during normal business hours and up to the Closing Date, from the office of the principal share registrar and transfer office in Singapore, Boardroom Corporate & Advisory Service Pte Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his/her own risk. The last date for despatch in respect of such request shall be the date falling 3 Market Days prior to the Closing Date.

## 10. INFORMATION PERTAINING TO CPFIS INVESTORS

CPFIS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the payment of the Offer Price for their Offer Shares in their CPF investment accounts.

## 11. THE OFFEROR'S INTENTION TO MAINTAIN THE LISTING STATUS OF THE COMPANY

The information on the Offeror's intention to maintain the listing status of the Company has been extracted from Section 6 headed "Maintaining the Listing Status of the Company" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange and on the SGX-ST after the close of the Offer.*

***The Stock Exchange***

***The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.***

*The directors of the Offeror and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Offer.*

***SGX-ST***

*No compulsory acquisition*

*Pursuant to Section 215(1) of the Companies Act, in the event the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the Shares (other than those already held by the Offeror), the Offeror would have the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer at a price equal to the Offer Price.*

***As the Offeror intends to maintain the listing status of the Company on the SGX-ST, it does not intend to exercise any rights of compulsory acquisition which it may have under Section 215(1) of the Companies Act.***

*Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act to require the Offeror to acquire their Shares in the event that the Offeror and parties acting or deemed to be acting in concert with it acquire (if any), pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, comprise 90% or more of the total number of Shares in issue.*

*Free float requirement*

*Pursuant to Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of Shares (excluding treasury shares) is at all times held by the public (the "**Free Float Requirement**").*

*Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received that bring the Shares held by the Offeror and parties acting or deemed to be acting in concert with it (if any) to above 90% of the total number of Shares in issue (excluding treasury shares), the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the Shares in issue are held by at least 500 shareholders who are members of the public.*

*In addition, under Rule 724(1) of the Listing Manual, if the percentage of Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10% failing which the Company may be delisted from the SGX-ST.*

*However, in the event that the Company does not meet the Free Float Requirement at the close of the Offer and the SGX-ST suspends trading in the Company's Shares, the Offeror will assess the options available at that time."*

## 12. DIRECTORS' RESPONSIBILITY STATEMENT

### 12.1. Responsibility statement pursuant to the HK Takeovers Code

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offer and the intention of the Offeror regarding the Offer) contained in this Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular the omission of which would make any statement in this Circular misleading. As regards the information in this Circular relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offer and the intention of the Offeror regarding the Group that has been compiled or summarised from the Offer Document, the Directors' responsibility is limited to the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

### 12.2. Responsibility statement pursuant to the Singapore Takeover Code

The Directors (including any Director who may have delegated detailed supervision of the preparation of this Circular), have taken all reasonable care to ensure that the facts stated and opinions expressed in this Circular are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading, and they jointly and severally accept responsibility accordingly. Where any information has been extracted from published or publicly available sources (including information extracted from the IFA (SG) Letter, the IFA (HK) Letter, the Offer Document or other information relating to the Offeror), the sole responsibility of the Directors has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this Circular.

The recommendation of the Independent Directors set out in **Section 7.1** of this Letter of this Circular is the sole responsibility of the Independent Directors. In respect of the IFA (SG) Letter, the sole responsibility of the Independent Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

## 13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular which form part of this Circular. In this connection, the Group's audited financial information for FY 2013, FY 2014 and FY 2015 and unaudited financial information for the first quarter ended 31 July 2015 are reproduced in Appendix V to this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
**NOVO GROUP LTD.**
**Chow Kin Wa**
*Chief Executive Officer and Executive Director*

13 November 2015

# NOVO GROUP LTD.
# 新源控股有限公司*

*(Company Registration No. 198902648H)*
*(Incorporated in Singapore with limited liability)*
**(Singapore Stock Code: MR8)**
**(Hong Kong Stock Code: 1048)**

13 November 2015

*To the Independent Shareholders*

Dear Sirs,

## MANDATORY UNCONDITIONAL CASH OFFER BY DELOITTE (HK) AND DELOITTE (SG), FOR AND ON BEHALF OF THE OFFEROR, TO ACQUIRE THE OFFER SHARES

We refer to this Circular dated 13 November 2015 issued by the Company, of which this letter forms part. Terms used herein shall have the same meanings as defined in this Circular unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to its acceptance.

Investec Capital Asia Limited has been appointed as the independent financial adviser in Hong Kong to advise us in this respect, and details of their advice and the principal factors taken into consideration in arriving at their recommendation are set out in the IFA (HK) Letter in Appendix II to this Circular.

Your attention is also drawn to the "Letter from the Board to Shareholders" and the additional information set out in appendices to this Circular as well as the terms of the Offer as set out in the Offer Document and the Acceptance Forms.

* *For identification purpose only*

**RECOMMENDATION**

Having taken into account the advice of Investec, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

**Independent Shareholders are reminded that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.**

Yours faithfully,
For and on behalf of
**Independent Board Committee**
**Mr. Tang Chi Loong** **Mr. Foo Teck Leong** **Mr. Tse To Chung, Lawrence**
*Independent non-executive Directors*

**CIMB BANK BERHAD (13491-P)**
**SINGAPORE BRANCH**
(Incorporated in Malaysia)

50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

13 November 2015

To: **The Independent Directors**
**Novo Group Ltd.**
24 Raffles Place
#10-05 Clifford Centre
Singapore 048621

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER TO ACQUIRE ALL OF THE ISSUED SHARES OF NOVO GROUP LTD. ("NOVO" OR THE "COMPANY"), OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY GOLDEN STAR GROUP LIMITED (THE "OFFEROR") AND PARTIES ACTING IN CONCERT WITH IT**

## 1. INTRODUCTION

On 1 September 2015, Deloitte (SG) announced, for and on behalf of the Offeror that on 14 August 2015, the Offeror had entered into a conditional Sale and Purchase agreement ("**Sale and Purchase Agreement**") with each of New Page Investments Limited, Mr. Yu Wing Keung, Dicky and Mr. Chow Kin Wa (collectively, the "**Vendors**") in respect of their shareholdings in Novo ("**Sale Shares**"). Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 93,723,437 Sale Shares, which represented approximately 54.87% of the issued share capital of Novo, which, if completed, will lead to a mandatory unconditional cash offer (the "**Offer**") for all the issued Shares in Novo other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (the "**Offer Shares**").

On 24 September 2015 and 25 September 2015 (the "**Joint Announcement Dates**"), the Offeror and the Company made joint announcements in respect of, *inter alia*, the Sale and Purchase Agreement, the possible Offer and the application for the resumption of trading in the Shares on the SEHK and the SGX-ST with effect from 9:00 a.m. (Hong Kong and Singapore time) on 25 September 2015. On 25 September 2015, Mr. Zhu Jun (the sole shareholder and a director of the Offeror) purchased an aggregate of 700,000 Shares through on-market purchase. Subsequently on 5 October 2015, the Company and the Offeror jointly announce that all the Conditions have been fulfilled and/or waived and the Completion has taken place on the same date. As a result, the Offeror and parties acting in concert with it became interested in an aggregate of 94,423,437 Shares, representing approximately 55.28% of the total issued Shares in the capital of the Company. Pursuant to Section 139 of the Securities and Futures Act and Rule 14.1(a) of the Singapore Code on Take-overs and Mergers (the "**Singapore Takeover Code**"), Deloitte (SG) has, for and on behalf of the Offeror, made the Offer for the Offer Shares in Singapore.

In connection with the Offer, CIMB Bank Berhad, Singapore Branch ("**CIMB**") has been appointed as the independent financial adviser to the Company to advise the Independent Directors in respect of the Offer in Singapore as to whether the Offer is fair and reasonable and as to its acceptance.

This letter sets out, *inter alia*, our evaluation of the financial terms of the Offer and our advice thereon. It forms part of the circular to Shareholders dated 13 November 2015 issued by the Company setting out, *inter alia*, details of the Offer and the recommendations of the Independent Directors in respect thereof (the "**Circular**"). For those Independent Shareholders who have their Shares registered in the register of members of the Company in Hong Kong, you are advised to read the IFA (HK) Letter, as set out in Appendix II to the Circular, and the recommendations stated therein.

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular and/or the Offer Document, shall have the same meanings herein. Any differences between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

**To ensure that the advice we wish to put forth by means of this letter is comprehensive and yet remains concise, details contained in the Circular and/or the Offer Document, where necessary or relevant in supporting or elaborating our advice, are not wholly reproduced, but instead, made reference to or summarised throughout the sections of this letter where applicable.**

**We recommend that the Independent Directors advise the Shareholders to read these contextual references and summaries with due care.**

## 2. TERMS OF REFERENCE

We have been appointed to advise on the financial terms of the Offer and whether Shareholders should accept or reject the Offer, pursuant to Rules 7.1 and 24.1(b) of the Singapore Takeover Code. We have confined our evaluation to the financial terms of the Offer and our terms of reference do not require us to evaluate or comment on the commercial risks and/or commercial merits of the Offer or the future prospects of the Company and its subsidiaries (the "**Group**") or any of its associated or joint venture companies and we have not made such evaluation or comment. However, we may draw upon the views of the Directors and/or the management of the Company (the "**Management**") or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter. We have not been requested, and we do not express any opinion on the relative merits of the Offer as compared to any other alternative transaction. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares.

We have held discussions with the Directors and the Management and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors, the Management and the Company's other professional advisers. We have not independently verified such information, whether written or verbal, and accordingly we cannot and do not warrant or make any representation (whether express or implied) regarding, or accept any responsibility for, the accuracy, completeness or adequacy of such information. However, we have made such enquiries and exercised our judgment as we deem necessary on such information and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors (including those who may have delegated detailed supervision of the preparation of the Circular) that they have taken all reasonable steps to ensure that the facts stated and opinions expressed by them or the Company in the Circular are fair and accurate in all material respects. The Directors have confirmed to us, that to the best of their knowledge and belief, all material information relating to the Group, its associated or joint venture companies and the Offer have been disclosed to us, that such information is true, complete and accurate in all material respects and that there are no other material facts and circumstances the omission of which would make any statement in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real properties) of the Group or of any of its associated or joint venture companies and we have not been furnished with any such evaluation or appraisal, except for the property valuation report (the "**Valuation Report**") done by Roma Appraisals Limited, which is reproduced in Appendix VI of the Circular. With respect to the Valuation Report, we are not experts in the evaluation or appraisal of the assets concerned and we have relied on the Valuation Report for such asset appraisals and have not made any independent verification of the contents thereof.

Our analysis and opinion is based upon market, economic, industry, monetary and other conditions prevailing as at 10 November 2015 (the "**Latest Practicable Date**"), as well as the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion or view on the future prospects, financial performance and/or financial position of the Group. Shareholders should take note of any announcement and/or documents relevant to their consideration of the Offer which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profile or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, any Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised in relation to the preparation of the Circular (other than this letter). We were not involved in and have not provided any advice in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this letter).

## 3. THE OFFER

The key terms and conditions of the Offer have been extracted from Section 2 headed "The Offer" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and are reproduced in *italics* below:

***"2. THE OFFER***

*Deloitte (HK), the financial adviser to the Offeror in Hong Kong, and Deloitte (SG), the financial adviser to the Offeror in Singapore, are making the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code and the Singapore Takeovers Code respectively on the following terms:*

*For each Offer Share* ................................ HK$3.755 in cash

*The Offer Shares will be acquired under the Offer (i) fully paid; (ii) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and (iii) together with all rights, benefits, entitlements attached thereto as at the date of the Possible Offer Announcement and hereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, made or paid by the Company on or after the date of the Possible Offer Announcement.*

*As at the Latest Practicable Date, the Company had not declared, made or paid any dividends, rights or any other distributions since the date of the Possible Offer Announcement.*

*The Offer is not subject to any conditions. It will be open for acceptance from the date of the Offer Document for a period of 28 days, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code and the Singapore Takeovers Code. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code and the Singapore Takeovers Code.*

*Further details on the terms of the Offer and details of the procedures for acceptance and settlement of the Offer are set out in Appendix I – "Further Terms of the Offer" to the Offer Document and in the accompanying relevant Acceptance Forms."*

"***Duration of the Offer***

*The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the Executive and the SIC. Accordingly, the Offer will close at 4:00 p.m. on Friday, 27 November or such later date(s) as may be announced from time to time by or on behalf of the Offeror.*

*If the Offer is extended, the announcement of the extension is not required to state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer. The Offeror is not obliged to extend the Offer.*

*Taking into account of Rule 15.5 of the Takeovers Code and Rule 20.9 of the Singapore Takeovers Code, the Offer (whether revised or not) will not be capable of being kept open after 5:30 p.m. on the 60th day after the Despatch Date unless both the Executive and the SIC have granted consent to extend the Offer beyond such 60-day period ("**Final Day Rule**")."*

Singapore Shareholders are advised to read carefully Section 8 headed "Method of Settlement for Singapore Shareholders" in Appendix I of the Offer Document and should note that in respect of valid acceptances of Offer Shares tendered under the Offer by Singapore Shareholders, while the consideration payable for valid acceptances will be determined based on the Offer Price in HK$, the actual amount payable for valid acceptances by Singapore Shareholders will be made in S$ which may be determined using a different exchange rate from the exchange rate of S$1 = HK$5.51760 as used in the Offer Document and in this letter for the purpose of illustration.

## 4. REASONS FOR THE OFFER AND INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

Please refer to Section 4 headed "Reasons for the Offer and Intention of the Offeror in relation to the Company" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document for the reasons for the Offer and the Offeror's intention in relation to the Company. **Shareholders are advised to read the full text in the aforesaid section carefully.**

## 5. INFORMATION ON THE COMPANY AND GROUP

Please refer to Appendix IV of the Offer Document and Appendix III of the Circular for the general information on the Company and Appendix V of the Circular for the financial information of the Group.

## 6. INFORMATION ON THE OFFEROR

Please refer to Section 7 headed "Information on the Offeror" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document for information on the Offeror.

## 7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

### Methodology

In assessing the financial terms of the Offer, we have considered the following:

(i) Historical financial performance and position of the Group;

(ii) Historical trading performance of the Shares;

(iii) Net asset value ("**NAV**") of the Group;

(iv) Revalued net asset value ("**RNAV**") of the Group;

(v) Comparison of valuation multiples of selected listed companies which are broadly comparable to the Group;

(vi) Comparison with recently completed non-privatisations of companies listed on the SGX-ST;

(vii) Dividend track record of the Company and other alternative investments; and

(viii) Other relevant considerations.

**General bases and assumptions**

We wish to highlight that unless otherwise specified, we have relied on the following general bases and assumptions in our analysis:

(i) As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises 170,804,269 Shares (excluding treasury shares);

(ii) The Offer Price expressed in Singapore currency is S$0.68, which is based on an exchange rate of S$1 = HK$5.51760, in accordance with exchange rate used in the Offer Document;

(iii) The Offer Price expressed in United States currency is US$0.48, which is based on an exchange rate of US$1 = HK$7.76, in accordance with the exchange rate used in the Offer Document; and

(iv) The underlying financial and market data used in our analysis, including securities prices, trading volumes and free float data have been extracted from Bloomberg L.P., SGXNET and/or other public filings as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date or provided by the Company where relevant. CIMB makes no representation or warranties, express or implied, as to the accuracy or completeness of such information.

**Valuation Multiples**

We have applied the following valuation multiples in our analysis:

| **Valuation Multiples** | **General Description** |
|---|---|
| **Price to Earnings ("P/E")** | This multiple illustrates the market price of a company's shares relative to its earnings per share. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. |
| **EV/EBITDA** | This multiple illustrates the market value of a company's business relative to its pre-tax operating cashflow performance, without regard to the company's capital structure.<br><br>"**EV**" or "**enterprise value**" is the sum of a company's market capitalisation, preferred equity, minority interests, short and long term debt less its cash and cash equivalents. |

| | |
|---|---|
| | "**EBITDA**" stands for earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associate's or joint venture's income and excluding exceptional items, as deemed applicable. |
| **Price to NAV ("P/NAV")** | This multiple illustrates the market price of a company's shares relative to its historical book NAV (as defined herein) per share as recorded in its financial statements.<br><br>The net asset value of a company ("**NAV**") is defined as its total assets (including intangible assets) less its total liabilities, and excludes, where applicable, minority interests. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets at its book value, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies. |
| **Price to RNAV ("P/RNAV")** | Where the value of certain assets of the company are adjusted to their current market values, this adjusted NAV is referred to as "Revalued NAV" or "RNAV". |

### 7.1 Historical Financial Performance and Position of the Group

A summary of the financial results of the Group from FY2013 to FY2015 is set out below.

| *(US$'000)* | **FY2013** (Audited) | **FY2014** (Audited) | **FY2015** (Audited) |
|---|---|---|---|
| **Financial Performance** | | | |
| Revenue | 284,203 | 272,998 | 248,562 |
| Gross Profit / (Loss) | 13,477 | 4,694 | (3,200) |
| (Loss) attributable to owners of the Company | (5,578) | (13,273) | (22,104) |
| **Financial Position** | | | |
| Total assets | 148,721 | 182,802 | 158,598 |
| Cash and cash equivalents | 19,150 | 46,821 | 33,458 |
| Total borrowings | 64,142 | 68,480 | 77,266 |
| Total equity attributable to owners of the Company | 50,215 | 36,019 | 14,097 |
| **Financial Ratios** | | | |
| Gross Profit Margin(1) (%) | 4.7 | 1.7 | n.m.(2) |
| Net Profit Margin (%) | n.m.(3) | n.m.(3) | n.m.(3) |
| Net Debt to Equity(4) (times) | 0.9 | 0.6 | 3.1 |

*Source: Annual reports for FY2013, FY2014 and FY2015 of the Company*

*Notes:*

(1) Calculated based on the gross profit divided by the revenue for the respective financial year.

(2) Not meaningful as the Group incurred a gross loss for FY2015.

(3) Not meaningful as the Group incurred losses attributable to owners of the Company.

(4) Calculated based on total borrowings less cash and cash equivalents, divided by total equity attributable to owners of the Company as at the end of the respective financial year.

The Group's revenue decreased by approximately 3.9% from approximately US$284.2 million in FY2013 to approximately US$273.0 million in FY2014. From FY2014 to FY2015, overall revenue fell by approximately 8.9% to approximately US$248.6 million, which was largely due to the decrease in sales from the Group's tinplate manufacturing and processing activities. From FY2013 to FY2015, the Group's revenue experienced an overall decrease of approximately 12.5% as sales activities in the People's Republic of China ("**PRC**") slowed down.

Gross profit fell by approximately 65.2% from approximately US$13.5 million in FY2013 to approximately US$4.7 million in FY2014. In FY2015, the Group incurred a gross loss of approximately US$3.2 million as its gross profit margin of approximately 1.7% in FY2014 became negative in FY2015.

The Group had been loss making in the last three completed financial years as reflected by its loss attributable to owners of the Company. From FY2013 to FY2015, loss attributable to owners of the Company nearly quadrupled to approximately US$22.1 million in FY2015.

Total assets decreased by approximately 13.2% from FY2014 to FY2015 primarily due to the significant drop in inventories and decrease in cash and cash equivalents. We note that inventories fell significantly due to impairment of inventories at the Group's Tianjin tinplate processing business and its efforts at clearing stocks during FY2015.

The Group's net gearing, as exhibited by its net debt to equity ratio, increased significantly from approximately 0.9 times in FY2013 to approximately 3.1 times in FY2015 as the Group increased both long and short term loans to support its operations and to alleviate its tight cash flow situation.

The Company made a commentary on its outlook in the announcement of its unaudited financial results for the first quarter ended 31 July 2015. Please refer to section 7.7.3 of this letter for details.

**7.2 Historical Trading Performance of the Shares**

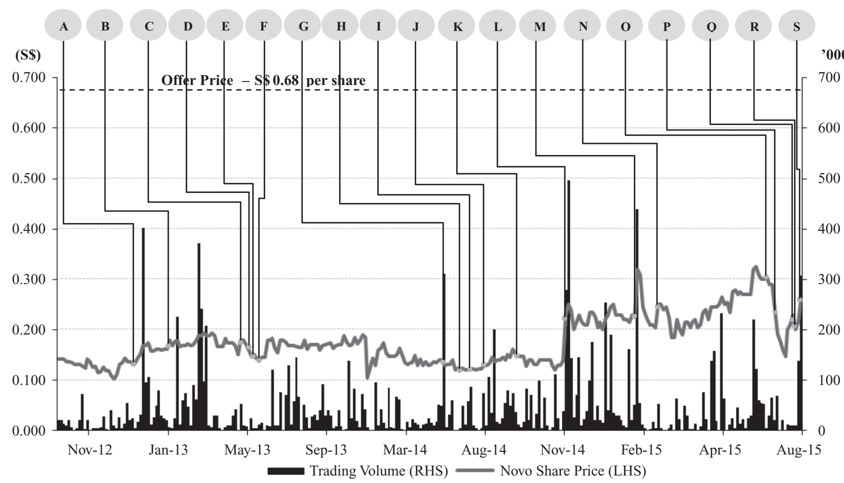
We have compared the Offer Price to the historical price performance of the Shares on the SGX-ST and have also considered the historical trading volume of the Shares on the SGX-ST.

***7.2.1 Market quotation and trading activity of the Shares***

In evaluating the Offer Price, it would be relevant to examine the price performance and trading volume of the Shares on the SGX-ST over a reasonable time period, during which the market price of the Shares may ordinarily reflect investors' valuation of the Shares, based on publicly available information.

We set out below the daily closing prices and trading volume of the Shares on the SGX-ST for the period commencing from 27 September 2012 (being 3 years prior to the Joint Announcement Date) up to 13 August 2015, which is the last market day on which the Shares were traded prior to the suspension of trading in the Shares on the SEHK and the SGX-ST ("**Trading Suspension**") on the same day (the "**Last Trading Day**").

**Closing prices and trading volume of the Shares**




*Source: Bloomberg L.P.*

**Key events up to the Last Trading Day:**

(A) **7 January 2013:** The Company provides an update on the joint venture arrangement in relation to the Tianjin Project whereby Tianjin Yida has assigned 50% of the equity interest in the Target Company in respect of the Disposal to 天津實發集團有限公司 (Tianjin Shifa Group Co., Ltd) ("**Tianjin Shifa**"), which is Tianjin Yida's controlling shareholder. Following the completion of the Equity Transfers on 6 January 2013, each of the Group and Tianjin Shifa is the beneficial owner of 50% equity interest in the Target Company.

(B) **31 January 2013:** The Company announces that Novowell ETP and 江蘇省興化市大垛鎮人民政府 (Daduo Town, Xing Hua Municipal Government, Jiangsu Province) ("**Xing Hua Municipal Government**") have entered into a non-legally binding memorandum of understanding pursuant to which Novowell ETP may acquire or lease from Xin Hua Municipal Government for a 300-mu land parcel adjacent to the existing ETP manufacturing plant located at 江蘇省興化市 (Xing Hua Municipal, Jiangsu Province) for future development of the existing ETP manufacturing plant.

(C) **9 May 2013:** The Company announces that its indirect wholly-owned subsidiary, Novo Lamination Limited ("**Novo Lamination**"), had on 9 May 2013 entered into a joint venture agreement with 覆膜工業株式會社 (Laminate Industry Co., Ltd), an independent third party and a company established in Japan, to formulate a joint venture company for, among other things, the manufacturing, sales and distribution of laminated tinplate products, laminated aluminum sheets and related products for the food and beverage packaging industry in the PRC.

(D) **23 May 2013:** The Company announces that Novo Development (Tianjin) Limited, a Sino-foreign Equity Joint Venture ("**Joint Venture**") formed by the Group and Tianjin Bohai Light Industrial Group Co., Ltd (previously known as Tianjin Shifa Group Co., Ltd), received a business license from Tianjin Municipal Industry and Commerce Administration Bureau which enables the Joint Venture to engage in steel processing and metal distribution in the PRC.

(E) **11 June 2013:** The Company provides a profit warning on the Group's results for the full year ended 30 April 2013.

(F) **24 June 2013:** The Company releases its results for the full year ended 30 April 2013.

(G) **3 June 2014:** The Company provides a profit warning on the Group's results for the full year ended 30 April 2014.

(H) **24 June 2014:** The Company releases its results for the full year ended 30 April 2014.

(I) **30 June 2014:** The Company announces the cessation of the Group's Chief Financial Officer.

(J) **24 July 2014:** The Company announces that its independent auditor, Baker Tilly TFW LLP, had without modifying their opinion, included in the Independent Auditor's Report an emphasis of matter in respect of the Group's ability to continue as a going concern on the audited financial statements of the Group for financial year ended 30 April 2014.

(K) **2 September 2014:** The Company announces that it has been notified by the SGX-ST that it will be placed on the watch-list with effect from 3 September 2014.

(L) **19 November 2014:** The Company announces that it is not aware of any reasons for the increase in the price and trading volume of the Company's shares on 19 November 2014.

(M) **29 January 2015:** The Company announces that New Page, the controlling shareholder of the Company, that New Page has disposed of an aggregate of 34,160,000 ordinary shares of the Company (representing approximately 19.99% of the issued ordinary shares of the Company) to five individuals for the purposes of improving the operation and liquidity of the Company in the capital market.

(N) **24 February 2015:** The Company announces that it has received enquiries from various independent parties regarding the subscription of the Company's shares and interest in the investment into the Group's business and/or assets.

(O) **19 June 2015:** The Company provides a profit warning on the Group's results for the full year ended 30 April 2015.

(P) **30 June 2015:** The Company releases its results for the full year ended 30 April 2015.

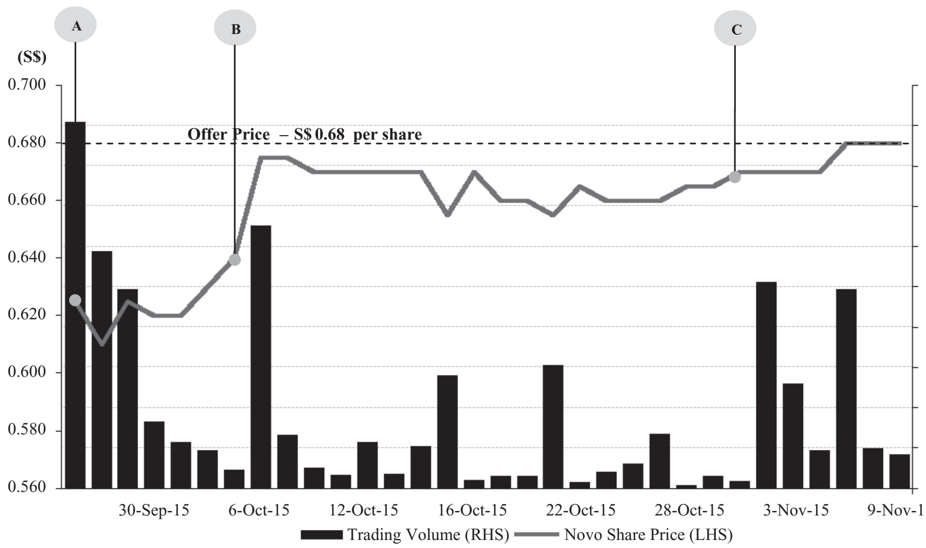
(Q) **31 July 2015:** The Company announces that its independent auditor, Baker Tilly TFW LLP, had issued their report on the Group's financial statements for the financial year ended 30 April 2015, highlighting a disclaimer of opinion.

(R) **6 August 2015:** The Company announces the cessation of the Group's Executive Director, Chow Kin San, due to alleged disagreement on executive management style.

(S) **13 August 2015:** The Company issues request for a trading halt on the SEHK and the SGX-ST pending the release of an announcement.

We set out below the daily closing prices and trading volume of the Shares on the SGX-ST for the period after the resumption of trading in the Shares on 25 September 2015 ("**Trading Resumption Date**") up to 9 November 2015, being the last day of trading on the SGX-ST before the Latest Practicable Date.

**Closing prices and trading volume of the Shares**




*Source: Bloomberg L.P.*

**Key events from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date:**

(A) **25 September 2015:** The Shares resume trading on the SEHK and the SGX-ST.

(B) **5 October 2015:** The Company and the Offeror jointly announced that all the conditions to the completion of the Sale and Purchase Agreement have been fulfilled and/or waived on 5 October 2015 and the Completion has taken place on the same date. Subsequently, the Offeror and parties acting in concert with it become interested in approximately 55.28% of the issued share capital of the Company and a mandatory unconditional cash offer was thus made by Deloitte (HK) and Deloitte (SG) for and on behalf of the Offeror for all the Offer Shares. In addition, the appointment of Investec Capital Asia Limited and CIMB as the independent financial adviser to the Company in Hong Kong and Singapore respectively to advise the Independent Board Committee as to whether the Offer is fair and reasonable and as to its acceptance was also announced. It was also announced that an application has been made for the consent of the Executive under Rule 8.2 of the HK Takeovers Code for an extension of time for despatching the offer document on or before 26 October 2015.

(C) **23 October 2015:** The Company and the Offeror jointly announced that as additional time is required for the preparation and finalisation of the offer document and arrangement of delivery of printed copies of the offer document to the respective locations in Hong Kong and Singapore, an application has been made to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent to a further extension of time for the despatch of the offer document to a date falling on or before 30 October 2015, and the Executive has indicated that it is minded to grant consent for such extension.

(D) **30 October 2015:** The Company and the Offeror jointly announced the despatch of the Offer Document and appointment of Mr. Zhu Jun and Ms. Wang Jianqiao as Executive Directors of the Company with effect from 30 October 2015.

We set out below selected statistical information on the share price performance and trading liquidity of the Shares on the SGX-ST for the above reference period.

| | **VWAP**[(1)] | **Premium of Offer Price to VWAP** | **Highest traded price** | **Lowest traded price** | **Average daily traded volume**[(2)] | **Average daily traded volume as a percentage of free float**[(3)] |
|---|---|---|---|---|---|---|
| | *(S$)* | *(%)* | *(S$)* | *(S$)* | *('000)* | *(%)* |
| **Periods prior to the Trading Suspension**[(4)] | | | | | | |
| Last 3 years | 0.196 | 246.9 | 0.385 | 0.105 | 46,403 | 0.06 |
| Last 2 years | 0.207 | 228.5 | 0.340 | 0.105 | 47,853 | 0.06 |
| Last 1 year | 0.233 | 191.8 | 0.340 | 0.120 | 55,425 | 0.07 |
| Last 6 months | 0.258 | 163.6 | 0.340 | 0.148 | 42,625 | 0.06 |
| Last 3 months | 0.270 | 151.9 | 0.340 | 0.148 | 51,211 | 0.07 |
| Last 1 month | 0.236 | 188.1 | 0.260 | 0.148 | 69,714 | 0.09 |
| As at the Last Trading Day | 0.260[(5)] | 161.5 | 0.260 | 0.225 | 307,000[(6)] | 0.41 |
| **Periods from the Trading Resumption Date**[(7)] | | | | | | |
| From 25 September 2015 to 9 November 2015, being the last trading day immediately before the Latest Practicable Date (both dates inclusive) | 0.650 | 4.6 | 0.685 | 0.600 | 379,266 | 0.50 |
| As at 9 November 2015, being the last trading day immediately before the Latest Practicable Date | 0.660[(5)] | 3.0 | 0.685 | 0.655 | 167,500[(6)] | 0.22 |

*Source: Bloomberg L.P.*

*Notes:*

(1) The volume-weighted average price ("**VWAP**") for the respective periods are calculated based on the daily VWAP turnover divided by the VWAP volume as extracted from Bloomberg L.P.. Off-market transactions are excluded from the calculation.

(2) The average daily traded volume of the Shares is calculated based on the total volume of Shares traded on the SGX-ST (excluding off-market transactions) during the relevant periods, divided by the number of traded days during the respective periods.

(3) Free float comprises approximately 75,363,832 Shares as at 30 October 2015 as provided by the Company.

(4) Trading in the Shares on the SEHK was suspended and/or halted with effect from 10:40 a.m. (Hong Kong time) on 13 August 2015 and on SGX-ST since 10:43 a.m. (Singapore time) on the same day.

(5) Based on the last traded price of the Shares.

(6) Based on the traded volume of the Shares for the day.

(7) Trading in the Shares on the SEHK and the SGX-ST resumed with effect from 9:00 a.m. (Hong Kong and Singapore time) on 25 September 2015.

We note the following with regards to the traded prices of the Shares on the SGX-ST:

(i) Over the period commencing 3 years prior to the Joint Announcement Date up to the Last Trading Day, the Shares had traded between a low of S$0.105 and a high of S$0.385;

(ii) The Offer Price represents a premium of approximately 547.6% and 76.6% above the lowest traded price and the highest traded price of the Shares over the period commencing 3 years prior to the Joint Announcement Date up to the Last Trading Day;

(iii) The Offer Price represents a premium of approximately 246.9%, 228.5%, 191.8%, 163.6%, 151.9% and 188.1% above the VWAP of the Shares for the 3-year, 2-year, 1-year, 6-month, 3-month and 1-month periods commencing 3 years prior to the Joint Announcement Date up to the Last Trading Day respectively;

(iv) The Offer Price represents a premium of approximately 161.5% above the last traded price of the Shares of S$0.260 on the Last Trading Day;

(v) For the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST before the Latest Practicable Date, the Shares had traded between a low of S$0.600 and a high of S$0.685;

(vi) The Offer Price represents a premium of approximately 4.6% above the VWAP of the Shares for the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date; and

(vii) The Offer Price represents a premium of approximately 3.0% above the last traded price of the Shares as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.

We note the following with regards to the trading liquidity of the Shares on the SGX-ST:

(i) The average daily traded volume of the Shares for the 3-year, 2-year, 1-year, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date represented approximately 0.06%, 0.06%, 0.07%, 0.06%, 0.07% and 0.09% of the free float of the Shares respectively;

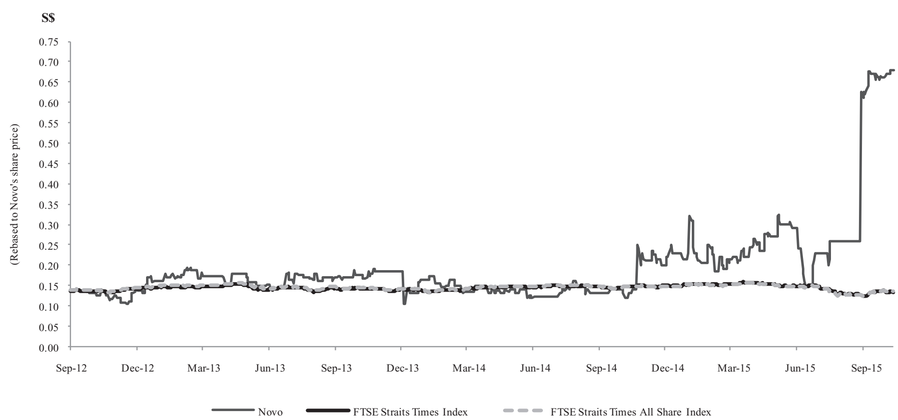
(ii) The traded volume of the Shares on the Last Trading Day represented approximately 0.41% of the free float of the Shares;

(iii) For the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, the average daily traded volume of the Shares represented approximately 0.50% of the free float of the Shares; and

(iv) The average daily traded volume of the Shares on 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date represented approximately 0.22% of the free float of the Shares.

*7.2.2 Relative Share Price Performance*

To gauge the price performance of the Shares relative to the Singapore stock market, we set out below the market price movement of the Shares on the SGX-ST against the FTSE Straits Times Index[(1)] and the FTSE Straits Times All Share Index[(2)] for the 3-year period prior to the Joint Announcement Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.




*Source: Bloomberg L.P.*

*Notes:*

(1) The FTSE Straits Times Index comprises the top 30 SGX Mainboard listed companies on the Singapore Exchange selected by full market capitalization.

(2) The FTSE Straits Times All Share Index is a modified market-capitalization weighted index comprising of all companies within the top 98 percent by full market capitalization of the SGX Mainboard universe (i.e. large cap, midcap and small cap indices combined).

Based on the chart above, we note that the Shares have generally outperformed the overall Singapore stock market since November 2014 up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.

The movements in the closing prices of the Shares on the SGX-ST, the FTSE Straits Times Index and the FTSE Straits Times All Share Index for the period commencing from 27 September 2012 (being 3 years prior to the Joint Announcement Date) up to the Last Trading Day is as follows:

| Company / Index | Closing price / Index value on 27 September 2012 | Closing price / Index value on the Last Trading Day | Percentage Change |
|---|---|---|---|
| Novo | S$ 0.141 | S$ 0.260 | 84.4% |
| FTSE Straits Times Index | 3,059.43 | 3,091.78 | 1.1% |
| FTSE Straits Times All Share Index | 747.79 | 742.08 | (0.8%) |

The movements in the closing prices of the Shares on the SGX-ST, the FTSE Straits Times Index and the FTSE Straits Times All Share Index for the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date is as follows:

| Company / Index | Closing price / Index value on 25 September 2015 | Closing price / Index value on 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date | Percentage Change |
|---|---|---|---|
| Novo | S$ 0.625 | S$ 0.680 | 8.8% |
| FTSE Straits Times Index | 2,832.64 | 2,997.72 | 5.8% |
| FTSE Straits Times All Share Index | 686.62 | 726.74 | 5.8% |

Based on the above, we note the following:

(i) The Share price increased by approximately 84.4% over a 3 year period commencing from 27 September 2012 up to the Last Trading Day. The FTSE Straits Times Index rose marginally by approximately 1.1% while the FTSE Straits Times All Share Index fell slightly by approximately 0.8% over the aforesaid period; and

(ii) During the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, the Share price rose by approximately 8.8%. The FTSE Straits Times Index and the FTSE Straits Times All Share Index increased by approximately 5.8% and 5.8% respectively over the aforesaid period.

**Shareholders should note that the past trading performance of the Shares should not, in any way, be relied upon as an indication of its future trading performance, and the price performance of the Shares may have been due to market factors and other individual factors which may not be easily isolated and identified with certainty.**

**Based on the above observations, it appears likely that the market prices and the increase in trading volume of the Shares since the Trading Resumption Date is highly influenced by the Offer and may not be maintained at such levels after the close of the Offer.**

**7.3 NAV and RNAV of the Group**

We have considered the NAV of the Group in assessing the Offer Price. NAV is defined to exclude, where applicable, non-controlling interests. The NAV figure provides an estimate of the value of a company assuming the hypothetical sale of all its assets, the proceeds of which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.

Based on the Company's unaudited consolidated financial statements as at 31 July 2015, the NAV of the Group amounted to approximately US$10.88 million or approximately 6.37 US cents per Share. We note that the Offer Price represents a substantial premium of approximately 653.5% over the NAV per Share of approximately 6.37 US cents per Share as at 31 July 2015. The Offer Price thus values the Group on a historical P/NAV multiple of approximately 7.5 times.

In connection with the Offer, the Company has commissioned independent valuation (the "**Valuation**") to determine the market value of the following properties held by the Group in Hong Kong and PRC (the "**Revalued Assets**"). A summary of the Valuation is set out below. The Valuation Report is reproduced in Appendix VI of the Circular.

| **S/N** | **Property** | **Market Value in Existing State as at 30 September 2015** |
|---|---|---|
| 1. | Units 9-11 on 11th Floor,<br>China Merchants Tower,<br>Shun Tak Centre,<br>Nos. 168-200 Connaught Road Central,<br>Hong Kong | HK$81,100,000 |
| 2. | An industrial complex located at<br>No.200 Zhongnaner Street,<br>West Zone of Tianjin Economic Technological Development Zone, Tianjin,<br>The PRC<br><br>中國天津天津市開發區<br>中南二街200號之工業項目 | RMB19,700,000 |
| 3. | An industrial complex located at<br>Chuangyeda Road,<br>Daduo Town,<br>Xinghua City,<br>Jiangsu Province,<br>The PRC<br><br>中國江蘇省興化市大垛鎮創業大道之工業項目 | RMB70,700,000 |
| 4. | Room 316,<br>No.2 of 2899 Alley of<br>Guangfuxi Road,<br>Putuo District,<br>Shanghai City,<br>The PRC<br><br>中國上海市普陀區<br>光復西路2899弄<br>2號316室 | RMB9,000,000 |

| S/N Property | Market Value in Existing State as at 30 September 2015 |
|---|---|
| Aggregate market value as at 30 September 2015 (US$'million) | 26.08 |
| Aggregate book value as at 31 July 2015 (US$'million) | 20.35 |
| **Gross revaluation surplus (US$'million)** | 5.73 |

The table below sets out the computation of the RNAV of the Group and the discount of the Offer Price to the RNAV per Share based on the open market value of the Revalued Assets.

| | |
|---|---|
| NAV of the Group as at 31 July 2015 (US$'million) | 10.88 |
| Add: Gross revaluation surplus arising from the open market value of the Revalued Assets (US$'million) | 5.73 |
| (Less): Potential tax liabilities on sale (US$'million)[(1)] | (0.72) |
| RNAV of the Group as at 31 July 2015 (US$'million) | 15.89 |
| RNAV per Share as at 31 July 2015 (US$ cents) | 9.30 |
| Premium of Offer Price to RNAV per Share | 420.5% |

*Note:*

(1) Based on the Company's management estimates in consultation with its tax advisers.

*Source:* Group's unaudited consolidated financial statements as at 31 July 2015, Valuation Reports, the Valuation Report as set out in Appendix VI of the Circular and CIMB analysis

Based on the above, we note that Offer Price represents a premium of approximately 420.5% to the RNAV per Share as at 31 July 2015 and the estimated historical P/RNAV multiple as implied by the Offer Price is approximately 5.2 times.

For the purpose of making a comparison on P/NAV and P/RNAV basis of the Group with the Comparable Companies and/or the Non-Privatisation Transactions as set out in sections 7.4 and 7.5 below respectively, we have used the above historical P/NAV multiple of approximately 7.5 times and P/RNAV multiple of approximately 5.2 times as implied by the Offer Price.

The NAV and RNAV methodology provides an indication of the value of the Company assuming a hypothetical sale of its assets. In this regard, we wish to highlight that the Directors have confirmed to us that the Group does not have any plans for an impending material disposal and/or conversion of the use of its assets and/or material change in the nature of the Group's businesses as at the Latest Practicable

Date. We also note that the Offeror currently has no plans to re-deploy the fixed assets of the Group or to propose any major changes to the Group's business as at the Latest Practicable Date.

We have considered whether there are any factors which have not been otherwise disclosed in the financial statements of the Group and that are likely to impact the unaudited NAV of the Group as at 31 July 2015. In this respect, save for the Valuation and Valuation Report as set out in Appendix VI of the Circular, the Directors have confirmed to us, as at the Latest Practicable Date, that to the best of their knowledge and belief, other than that already provided for or disclosed in the Company's latest unaudited consolidated financial statements as at 31 July 2015:

(i) There are no material differences between the realisable value of the Group's other assets and their respective book values as at 31 July 2015 which would have a material impact on the NAV of the Group;

(ii) There are no material acquisitions and disposals of assets by the Group between 31 July 2015 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business;

(iii) Other than that already provided for or disclosed in the Group's financial information as at 31 July 2015, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;

(iv) There is no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and

(v) There are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group.

As disclosed in the Group's unaudited financial results announcement for the three months ended 31 July 2015, we note that the Company's independent auditor, Baker Tilly TFW LLP ("**Baker Tilly**"), had highlighted the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. According to Baker Tilly, if the Group is unable to continue in operational existence for the foreseeable future, adjustments may have to be made to the net carrying values of the Group's assets and liabilities as at 31 July 2015.

In addition, Baker Tilly also pointed out the material estimation uncertainty relating to the expected recoverable amount of the Group's property, plant and equipment as at 31 July 2015. It was highlighted that there is a significant risk that a material adjustment to the allowance for impairment on the Group's property, plant and equipment as at 31 July 2015 may be required in the future.

Please refer to section 7.7.2 of this letter for further details.

***Contingent Liabilities***

As disclosed in the Company's FY2015 annual report, we note that the Group has contingent liabilities which are not provided for in its financial statements. The aforesaid contingent liabilities included discounted bills with recourse supported by letter of credit ("**Discounted Bills**"), corporate guarantees issued by the Company to banks in respect of its subsidiaries' banking facilities ("**Corporate Guarantees**"), and a claim filed by a supplier against a subsidiary for non-performance of a contract ("**Supplier Claim**"). We understand that the Management is of the view that the risk of the Discounted Bills translating into actual liabilities is remote as the associated country risk and counterparty banks' credit risk are low. We note that the Corporate Guarantees have not been recognised in the Group's financial statements as the Company does not expect to incur material losses under the Corporate Guarantees. As for the Supplier Claim, we note that the management of the Company is of the opinion that there will be no material adverse effect on the financial performance or financial position of the subsidiary as a result of this claim.

We understand from the Management that there have been no major developments in respect of the abovementioned contingent liabilities during the three months ended 31 July 2015.

**7.4 Comparison of valuation multiples of selected listed companies which are broadly comparable to the Group**

For the purpose of assessing the Offer Price, we have considered SGX-ST listed companies which are principally engaged in the supply of steel products that we consider to be broadly comparable to the Group ("**Comparable Companies**").

We have had discussions with the Management about the suitability and reasonableness of the Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy and/or completeness of such information.

A brief description of the Comparable Companies is set out below:

| **Company name** | **Principal business** |
|---|---|
| Asia Enterprises Holding Limited ("**Asia Enterprises**") | Asia Enterprises distributes steel products. The company serves the shipbuilding, fabrication, engineering, and oil and natural gas industries. |
| HG Metal Manufacturing Ltd ("**HG Metal**") | HG Metal offers different types of steel products used in various industrial and engineering applications, including pipes, mild steel lip channels, plates, bars, tubes, and I-beams. The company also manufactures customized flat steel bars and mild steel lip channels commonly use as roofing support in commercial and industrial building. |
| HupSteel Limited ("**HupSteel**") | HupSteel is an investment holding company whose subsidiaries import and export hardware machinery and general merchandise as well as provide racking services. The company also develops and invests in properties. |
| Lee Metal Group Ltd ("**Lee Metal**") | Lee Metal supplies a range of reinforcement steel products. The company also imports reinforcement steel bars and steel plates as well as fabricates and manufactures cut-and-bend reinforcement steel bars and steel welded mesh. Lee Metal owns, operates, and charters vessels. |

*Source: Bloomberg L.P.*

We wish to highlight that the Comparable Companies set out above may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

The valuation multiples of the Company (as implied by the Offer Price) and the Comparable Companies set out on the next page are based on their respective last transacted share prices as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.

| **Company** | **Last financial year end** *(S$ million)* | **Market Capitalisation as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date** *(times)* | **Historical PER(1)** *(times)* | **Historical EV/ EBITDA(2)** *(times)* | **Historical P/NAV(3)** |
|---|---|---|---|---|---|
| Asia Enterprises | 31-Dec-14 | 69.3 | n.m.(4) | n.m.(4) | 0.7 |
| HG Metal | 31-Dec-14 | 69.1 | n.m.(4) | n.m.(4) | 0.4 |
| HupSteel | 30-Jun-15 | 90.7 | n.m.(4) | n.m.(4) | 0.5 |
| Lee Metal | 31-Dec-14 | 149.5 | 8.6 | 6.3 | 0.8 |
| High | | | 8.6 | 6.3 | 0.8 |
| Low | | | 8.6 | 6.3 | 0.4 |
| Mean | | | 8.6 | 6.3 | 0.6 |
| Median | | | 8.6 | 6.3 | 0.6 |
| The Company (implied by the Offer Price) | 30-Apr-15 | 116.1 | n.m.(4)(5) | n.m.(4)(5) | 7.5(6) |

*Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Companies.*

*Notes:*

(1) The historical PERs of the Comparable Companies were computed based on their respective earnings for the 12 months ended 30 June 2015 ("**LTM**") earnings, where applicable, as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.

(2) The historical EV/EBITDA multiples of the Comparable Companies were computed based on their respective LTM EBITDA, where applicable, as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.

(3) The historical P/NAV multiples of the Comparable Companies were computed based on their respective NAVs as set out in their latest published financial statements as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date.

(4) Denotes not meaningful due to reported losses or negative EBITDA.

(5) The historical PER and the historical EV/EBITDA multiple of the Company as implied by the Offer Price were computed based on its earnings and EBITDA for the 12 months ended 31 July 2015.

(6) The historical P/NAV multiple of the Company as implied by the Offer Price was computed based on its NAV as set out in its latest published financial statement as at 31 July 2015.

**The valuation multiples of the Comparable Companies above do not incorporate the premium typically required to acquire control as they reflect the trades of non-controlling stakes.**

Based on the above, we note that:

(i) It would not be meaningful to assess the historical PER and historical EV/EBITDA multiple of the Company as implied by the Offer Price as the Group incurred losses attributable to owners of the Company and as the Group's EBITDA was negative; and

(ii) The historical P/NAV multiple of the Company of approximately 7.5 times as implied by the Offer Price is above the range of the historical P/NAV multiples of the Comparable Companies.

**7.5 Comparison with recently completed non-privatisations of companies listed on the SGX-ST**

As disclosed in Section 6 headed "Maintaining the Listing Status of the Company" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document, the Offeror intends to maintain the listing status of the Company on the SGX-ST after the close of the Offer and therefore does not intend to exercise any rights of compulsory acquisition which it may have under Section 215(1) of the Companies Act. However, in the event that less than 10% of the total number of Shares (excluding treasury shares) is held by the public and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to assess the options available at the time.

Therefore, in our assessment of the Offer Price, we have compared the financial terms of the Offer relative to those of recently completed offers for SGX-ST listed companies which were announced in the 24-month period prior to the Latest Practicable Date and which specified that the listing status is to be maintained ("**Non-Privatisation Transactions**") as offers made to privatise or delist a company would typically incorporate a premium to compensate shareholders for the loss of the listing status.

The list of Non-Privatisation Transactions set out below is not directly comparable to the Offer as, amongst others, the target companies involved in the Non-Privatisation Transactions set out below are not directly comparable to the Company in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, financial performance, operating and financial leverage, future prospects and other relevant criteria. Also, the comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the target companies involved in the Non-Privatisation Transactions. Hence, the comparison of the Offer with the Non-Privatisation Transactions set out below is strictly limited in scope and is for illustration purposes only. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation of the Company.

A summary of the relevant financial terms of the Non-Privatisation Transactions is set out below.

| | | Premium / (Discount) to Pre-Announcement Share Price(1) | | | | |
|---|---|---|---|---|---|---|
| | **Date of Announcement** | **Last transacted** | **1-month** | **3-month** | **P/NAV** | **P/RNAV** |
| | | *(%)* | *(%)* | *(%)* | *(times)* | *(times)* |
| Youyue International Limited | 18-Nov-13 | (34.2) | (34.2) | (19.5) | 1.1 | 1.1 |
| Boardroom Limited | 22-Jan-14 | (0.9) | 2.7 | (2.9) | 1.7 | n/a |
| Communication Design International Ltd | 18-Feb-14 | 2.4 | 0.0 | 0.0 | 1.8 | 1.8 |
| Global Premium Hotels Limited | 13-Mar-14 | 13.4 | 16.7 | 21.4 | 0.5 | 0.5 |
| Olam International Limited | 14-Mar-14 | 11.8 | 24.3 | 33.0 | 1.5 | n/a |
| Hotel Properties Limited | 14-Apr-14 | 29.4 | 33.8 | 35.1 | 1.3 | 0.8 |
| LCD Global Investments Ltd | 21-Apr-14 | 11.8 | 16.4 | 18.1 | 0.6 | 0.6 |
| Raffles United Holdings Ltd. (formerly known as Kian Ho Bearings Limited) | 04-Jun-14 | (6.0) | 9.0 | 10.5 | 0.7 | 0.7 |
| CH Offshore Ltd | 11-Dec-14 | 6.5 | 8.1 | 5.4 | 1.1 | 0.9 |
| Hafary Holdings Limited | 30-Dec-14 | 9.1 | 11.1 | 11.1 | 2.5 | 1.3 |
| LCD Global Investments Ltd | 12-Jan-15 | 10.0 | 11.5 | 13.4 | 1.2 | 1.2 |
| Xyec Holdings Co., Ltd. | 30-Jan-15 | 20.0 | 31.0 | 34.5 | 1.4 | n/a |
| United Envirotech Ltd | 05-Mar-15 | 12.6 | 16.5 | 20.2 | 2.4 | n/a |
| IPC Corporation Ltd | 01-Apr-15 | 2.4 | 4.5 | 5.5 | 0.7 | 0.7 |
| Jasper Investments Limited | 18-Sep-15 | (93.3) | (93.1) | (96.6) | n/a | n/a |
| **High** | | **29.4** | **33.8** | **35.1** | **2.5** | **1.8** |
| **Low** | | **(93.3)** | **(93.1)** | **(96.6)** | **0.5** | **0.5** |
| **Mean** | | **(0.3)** | **3.9** | **5.9** | **1.3** | **1.0** |
| **Median** | | **9.1** | **11.1** | **11.1** | **1.3** | **0.8** |
| **The Company (implied by the Offer Price)** | **24-Sep-15** | **161.5** | **188.1** | **151.9** | **7.5** | **5.2** |

*Source: Bloomberg L.P., respective SGX-ST announcements and circulars to shareholders*

*Notes:*

(1) The premium/discount is calculated in relation to the closing price of the respective companies 1 day prior to the respective announcement dates and the VWAP of the 1-month and 3-month periods prior to the respective announcement dates.

(2) The premium is calculated in relation to the closing price of the Company on the Last Trading Day and the VWAP of the 1-month and 3-month periods prior to the Trading Suspension.

Based on the above, we note that:

(i) The premia implied by the Offer Price over the VWAP for the 1– month period prior to the Trading Suspension and VWAP for the 3-month period prior to the Trading Suspension are significantly above the range of the corresponding premia of the Non-Privatisation Transactions;

(ii) The premium implied by the Offer Price over the last transacted price prior to the Trading Suspension is significantly above the range of the corresponding premia of the Non– Privatisation Transactions;

(iii) The P/NAV multiple of approximately 7.5 times as implied by the Offer Price is above the range of the corresponding P/NAV multiples of the Non-Privatisation Transactions; and

(iv) The P/RNAV multiple of approximately 5.2 times as implied by the Offer Price is above the range of the corresponding P/RNAV multiples of the Non-Privatisation Transactions;

**7.6 Dividend Track Record of the Company and Other Alternative Investments**

The Company has not been declaring any dividend on its Shares in respect of the last two financial years. The last dividend declared by the Company was with respect to its final 1-tier tax exempt dividend of 1.0 Singapore cents per Share in respect of FY2013.

The Management have confirmed to us that the Company does not have a fixed dividend policy. As such, the quantum of dividends paid by the Company in any year would depend on various factors including but not limited to the financial performance of the Group, its working capital and capital expenditure needs as well as other considerations. We note that no dividend has been declared or recommended in respect of FY2015 in view of the financial position of the Group and the cautious view on the Group's prospects.

Shareholders who accept the Offer may reinvest the proceeds from the Offer in a broad market index instrument such as the SPDR Straits Times Index Exchange Traded Fund ("**STI ETF**"). As at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, the STI ETF paid a dividend yield of approximately 3.2% in respect of the financial year ended 30 June 2015.

This suggests that a shareholder who receives the proceeds from the Offer Price may potentially experience an increase in investment income if he re-invests the proceeds from the Offer Price in the STI ETF. This is on the assumption that the STI ETF maintains its net dividend per share at the same level as that set out above.

We wish to highlight that the above dividend analysis of the Company only serves as an illustrative guide and is not an indication of the future dividend policy of the Company or that of the STI ETF. Furthermore, an investment in the STI ETF also presents different risk-return profiles compared to an investment in the Shares. Moreover, there is no assurance that the Company or the STI ETF will pay dividends in future and/or maintain the level of dividends paid in the past periods.

**7.7 Other Relevant Considerations**

***7.7.1 Disclaimer of Opinion***

We wish to highlight to Shareholders that Baker Tilly had, on 31 July 2015, issued their report on the Group's FY2015 financial statements (the "**FY2015 Report**"), highlighting a disclaimer of opinion. Due to the matters described in the Basis for Disclaimer of Opinion paragraphs set out in the FY2015 Report, Baker Tilly was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An extract of the aforesaid Basis for Disclaimer of Opinion paragraphs is set out in italics below for your reference.

*"Basis for Disclaimer of Opinion*

*1. Going concern*

*As disclosed in Note 2(a) to the financial statements, the Group incurred a net loss of US$24,746,742 (2014: US$14,450,402) and reported net cash outflows from operating activities of US$6,653,336 (2014: net cash inflows of US$4,658,321) during the financial year ended 30 April 2015. As at that date, the Group's current liabilities exceeded its current assets by US$42,895,080 (2014: US$37,178,442).*

*As disclosed in Note 23 to the financial statements, the Group breached the financial covenants of certain borrowings during the financial year. In addition, the Group also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates and the balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683.*

*As disclosed in Note 14 to the financial statements, a subsidiary within the tinplate manufacturing segment has suspended its operations during the financial year and yet to resume its operations as of the date of this report.*

*These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.*

*The financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the financial statements. This assumption is premised on future events, the outcome of which is inherently uncertain.*

*In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.*

*Due to the matters described in the above paragraphs, we are unable to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Group's financial statements for the financial year ended 30 April 2015 are necessary.*

*2. Property, plant and equipment*

*As disclosed in Note 14 to the financial statements, the Group's property, plant and equipment as at 30 April 2015 amounted to US$73,131,079 (2014: US$73,268,248). Management determined that there is no impairment to the property, plant and equipment as their recoverable amounts exceed the net carrying values as at 30 April 2015.*

*Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the property, plant and equipment. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of property, plant and equipment as at 30 April 2015 are necessary.*

*3. Investments in subsidiaries and amounts due from subsidiaries*

*As disclosed in Note 18 to the financial statements, the Company's investments in subsidiaries and amounts due from subsidiaries are carried at cost amounted to US$79,460,123 and US$43,968,458 respectively. Management determined that there is no impairment to the Company's investments in subsidiaries and amounts due from subsidiaries as their recoverable amounts exceed the net carrying values as at 30 April 2015.*

*Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2015. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2015 are necessary.*

*Disclaimer of Opinion*

*Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements."*

***7.7.2 Qualified Conclusion and Emphasis of Matter***

Baker Tilly had conducted a review of the Group's unaudited financial statements for the first quarter ended 31 July 2015 ("**Interim Statements**") to enable the Directors to fulfil their responsibilities under Rule 25 of the Singapore Takeover Code and the requirements of the Singapore Listing Manual ("**Interim Review**"). Based on their review, Baker Tilly had expressed a qualified conclusion on the Interim Statements and had included an emphasis of matter in respect of certain matters in the Interim Statements.

We set out in italics below an extract of the Interim Review in relation to the aforesaid qualified conclusion and emphasis of matter for your reference. For the full text of the Interim Review by Baker Tilly TFW LLP dated 14 September 2015, please refer to Appendix V of the Circular.

*"Basis for Qualified Conclusion*

*1. Comparative information*

*The comparative unaudited condensed interim financial statements for the three months ended 31 July 2014 have not been audited or reviewed. In our auditor's report dated 31 July 2015, we disclaimed an opinion on the* *statements of financial position of the Group and the Company as at 30 April 2015 which are the comparative figures in the condensed statements of financial position. The basis for disclaimer of opinion on the financial statements for the financial year ended 30 April 2015 are disclosed in Note 20 to the unaudited condensed interim financial statements.*

*Our conclusion on the unaudited condensed interim financial statements for the three months ended 31 July 2015 is also modified because of the possible effect of these matters on the comparability of the current period's figures and the corresponding figures.*

*2. Investments in subsidiaries and amounts due from subsidiaries*

*As disclosed in Note 10 to the unaudited condensed interim financial statements, the Company's investments in subsidiaries and amounts due from subsidiaries are carried at cost amounted to US$79,460,000 and US$42,355,000 respectively. Management determined that there is no impairment to the Company's investments in subsidiaries and amounts due from subsidiaries as their recoverable amounts exceed the net carrying values as at 31 July 2015.*

*Based on the information available to us, we are unable to obtain sufficient appropriate evidence about the recoverable amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as at 31 July 2015. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Company's investments in subsidiaries and amounts due from subsidiaries as at 31 July 2015 are necessary.*

*Qualified Conclusion*

*Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed interim financial statements are not prepared, in all material respects, in accordance with Singapore Financial Reporting Standard 34 Interim Financial Reporting.*

*Emphasis of Matter*

*1. Going concern*

*We draw attention to Note 2(a) to the unaudited condensed interim financial statements with respect to the Group's ability to continue as a going concern. The Group incurred a net loss of US$3,365,000 (three months ended 31.7.2014: US$5,401,000) and reported net cash outflows from* *operating activities of US$1,755,000 (three months ended 31.7.2014: net cash inflows of US$4,261,000) during the financial period ended 31 July 2015. As at that date, the Group's current liabilities exceeded its current assets by US$58,901,000 (30.4.2015: US$42,895,000).*

*As disclosed in Note 13 to the unaudited condensed interim financial statements, the Group breached the financial covenants of certain borrowings during the financial period. In addition, the Group also defaulted on the repayment of certain borrowings on the respective due dates.*

*As disclosed in Note 8 to the unaudited condensed interim financial statements, a subsidiary within the tinplate manufacturing segment has suspended its operations since February 2015 and yet to resume its operations as of the date of this report.*

*These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.*

*The unaudited condensed interim financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the unaudited condensed interim financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the unaudited condensed interim financial statements. This assumption is premised on future events, the outcome of which is inherently uncertain.*

*In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the condensed statements of financial position. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these unaudited condensed interim financial statements.*

*2. Recoverable amount of property, plant and equipment*

*We draw attention to the significant disclosure in Note 8 to the unaudited condensed interim financial statements which describes the material estimation uncertainty surrounding the management's assessment for expected recoverable amount of property, plant and equipment. As at 31*

*July 2015, the net carrying value of property, plant and equipment amounted to US$72,518,000 (30.4.2015: US$73,131,000) and no allowance for impairment is provided as at 31 July 2015. The estimation of the expected recoverable amount involves significant assumptions on the expected future cash flows and pre-tax discount rate used in value-in-use calculations. Changes in these assumptions and estimations could affect the determination of the expected recoverable amount of property, plant and equipment, and therefore there is a significant risk that a material adjustment to the allowance for impairment on the Group's property, plant and equipment as at 31 July 2015 may be required in the future periods."*

***7.7.3 Outlook of the Group***

As disclosed by the Company in the announcement of its unaudited financial results for the first quarter ended 31 July 2015, the Company has stated that:

***"Trading Business***

*Iron ore led declines among metals 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 better results.*

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

*While the new initiative of "Belt and Road" and the establishment of "The Asian Infrastructure Investment Bank" are widely anticipated to provide opportunities to steel and raw materials trading business in Asia, in particular, great potential of raw material consumption on growth in Asian countries outside China, the Group will strive to increase sales orders, boost sales volume and raise gross profit per ton in order to maximise profits, and stay close to the market on such changes for lead advantage opportunities.*

*Tinplate Manufacturing Project*

*The tinplate manufacturing project in Jiangsu is expected to resume to normal operation once additional funding comes in. It will concentrate on export markets, directly to end-users in canning sectors. 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 response among metal packaging suppliers."*

***7.7.4 Suspension of Tinplate Manufacturing Project***

We understand that the tinplate production operations of Novowell ETP Limited ("**NWETP**"), a subsidiary of the Company, have been suspended temporarily ("**Temporary Suspension**") since February 2015 as disclosed by the Company in its FY2015 financial results announcement on 29 June 2015. The purpose of the Temporary Suspension is to consolidate and restructure the core product items in order to tailor for key targeted markets in South East Asia, especially Malaysia, Thailand and Philippines.

According to the Company's response to queries from the SGX-ST on 10 August 2015, it was further disclosed that the Temporary Suspension was effected for the purposes of obtaining additional funding as well as to consolidate the product mix for the metal packaging assembly line.

According to the Company's response to queries from the SGX-ST on 2 September 2015, it was disclosed that the Group had performed impairment testing on its property, plant and equipment as at 30 April 2015 (including those used by NWETP) but did not recognise any impairment loss for the year ended 30 April 2015. This is because the Board is of the opinion that no provision is made as management is of the opinion that the recoverable amount is higher than the carrying amount.

Shareholders are advised to refer to the aforesaid Company announcements for further details.

***7.7.5 Offeror's Intentions relating to the Company***

As set out in Section 4 headed "Reasons for the Offer and Intention of the Offeror in relation to the Company" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document, we note that it is the intention of the Offeror that the Group continues its principal business following the close of the Offer.

We note that the Offeror will conduct a review of the business activities and assets of the Group for the purpose of developing a strategic business plan for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company.

However, as at the Latest Practicable Date, no such investment or business opportunities had been confirmed nor had the Offeror entered into any agreement or arrangement in relation to the injection of any assets or business into the Group. Further, as at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of the employees of the Group (save for the change in the composition of the Board); (ii) introduce any major changes to the businesses of the Company or to the operations of any of its subsidiaries; or (iii) dispose of or re-deploy the fixed assets of the Group other than those in its ordinary course of business.

***7.7.6 Listing Status and Compulsory Acquisition***

We note that the Offeror intends to maintain the listing of the Shares on the SGX-ST after the close of the Offer and does not intend to exercise any rights of compulsory acquisition which it may have under Section 215(1) of the Companies Act. However, we note that in the event that the Company does not meet the Free Float Requirement at the close of the Offer and the SGX-ST suspends trading in the Company's Shares, the Offeror will assess the options available at that time.

The text stating the Offeror's intentions relating to the listing status and compulsory acquisition of the Company has been extracted from Section 6 headed "Maintaining the Listing Status of the Company" in the Letter from Deloitte (HK) and Deloitte (SG) of the Offer Document and reproduced in italics below.

***"SGX-ST***

*No compulsory acquisition*

*Pursuant to Section 215(1) of the Companies Act, in the event the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the Shares (other than those already held by the Offeror), the Offeror would have the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer at a price equal to the Offer Price.*

***As the Offeror intends to maintain the listing status of the Company on the SGX-ST, it does not intend to exercise any rights of compulsory acquisition which it may have under Section 215(1) of the Companies Act.***

*Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act to require the Offeror to acquire their Shares in the event that the Offeror and parties acting or deemed to be acting in concert with it acquire (if any), pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, comprise 90% or more of the total number of Shares in issue.*

*Free float requirement*

*Pursuant to Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of Shares (excluding treasury shares) is at all times held by the public (the "**Free Float Requirement**").*

*Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received that bring the Shares held by the Offeror and parties acting or deemed to be acting in concert with it (if any) to above 90% of the total number of Shares in issue (excluding treasury shares), the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the Shares in issue are held by at least 500 shareholders who are members of the public.*

*In addition, under Rule 724(1) of the Listing Manual, if the percentage of Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10% failing which the Company may be delisted from the SGX-ST.*

*However, in the event that the Company does not meet the Free Float Requirement at the close of the Offer and the SGX-ST suspends trading in the Company's Shares, the Offeror will assess the options available at that time."*

We note that the Company's latest free float is approximately 44.12% of the Shares in issue as at 30 October 2015.

***7.7.7 The Offeror has Statutory Control***

As at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, the Offeror and parties acting in concert with it already own, controlled or agreed to acquire 97,753,002 Shares, representing approximately 57.23% of the Company's issued Shares. The Offeror is therefore the majority Shareholder and has statutory control of the Company.

***7.7.8 No Alternative Offer***

As at the Latest Practicable Date, there is no publicly available evidence of any alternative offer for the Shares. Furthermore, the Directors have also confirmed that as at the Latest Practicable Date, apart from the Offer, the Company has not received any other offer from any other party.

In addition, given that the Offeror already has statutory control of the Company as at the Latest Practicable Date, the likelihood of an alternative offer from a third party is remote.

***7.7.9 Watch-List***

We note that the Company has been placed on the watch-list by the SGX-ST pursuant to Rule 1311 of the Listing Manual since 3 September 2014. Accordingly, the Company will have to fulfil the requirements under Rule 1314 of the Listing Manual ("**Rule 1314 Requirements**") for its removal from the watch-list within 24 months from 3 September 2014, failing which the SGX-ST would delist the Company or suspend trading of the Company's shares with a view to delisting the Company. One of the Rule 1314 Requirements stipulates that the Group records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts, excluding exceptional or nonrecurrent income and extraordinary items). As the Group has incurred a loss before tax for FY2015, this implies that the Group has to generate a profit before tax for the financial year ending 30 April 2016 in order for the Company to apply to the SGX-ST for its removal from the watch-list.

According to the Group's unaudited financial results for the first quarter ended 31 July 2015, we note that the Group's loss before tax for the first quarter ended 31 July 2015 narrowed to approximately US$3.36 million from approximately US$5.39 million in the previous year. In addition, based on the Company's latest quarterly update pursuant to Rule 1313(2) of the Listing Manual, the Company made a commentary on its material developments and its future direction, an extract of which is reproduced in italics below for your reference.

*"The Group's revenue decreased by approximately 63.4% from approximately US$62.6 million for the first quarter ended 31 July 2014 ("**1QFY2015**") to approximately US$22.9 million for 1QFY2016.*

*The Group's gross loss for 1QFY2016 was approximately US$38,000 as compared to gross loss of approximately US$448,000 for 1QFY2015.*

*During the first quarter ended 31 July 2015, the operations at the tinplate manufacturing plant in the Jiangsu PRC continue to suspend for the purposes of obtaining additional funding as well as to consolidate our products mix for the metal packaging lines.*

*On 14 August 2015, a sale and purchase agreement was entered into between Golden Star Group Limited and the controlling shareholders of the Company. For details, please refer to the Company's announcements released on 13 August 2015, 17 August 2015 and 1 September 2015.*

*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 is aware of the deadline given by the SGX-ST for its removal from the Watch-List."*

***7.7.10 Exchange Rate***

In respect of valid acceptances of Offer Shares tendered under the Offer by Singapore Shareholders, while the consideration payable for valid acceptances will be determined based on the Offer Price in HK$, the actual amount for valid acceptances by Singapore Shareholders will be made in S$ converted based on the appropriate exchange rate, which may be different from the illustrative exchange rate of S$1 = HK$5.51760 as used in the Offer Document and in this letter.

For the purpose of illustration only, the table below shows the historical spot S$:HK$ exchange rate on selected dates.

| **Date** | *S$:HK$* |
|---|---|
| 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date (i.e. 10 November 2015) | 5.4415 |
| 25 September 2015 | 5.4376 |
| 24 September 2015 | 5.4521 |
| Last Trading Date (i.e. 13 August 2015) | 5.5527 |

*Source:* Bloomberg L.P.

## 8. SUMMARY OF ANALYSIS

In arriving at our advice to the Independent Directors on the Offer, we have considered, *inter alia*, the following factors which should be read in the context of the full text of this letter:

(i) The Group's financial performance has been deteriorating over the last three financial years as shown by decreasing revenue and widening losses attributable to owners of the Company;

(ii) The Group's net gearing increased significantly to approximately 3.1 times in FY2015;

(iii) The Shares have not traded at or above the Offer Price for the last 3 years prior to the Joint Announcement Date;

(iv) The Offer Price represents a premium of approximately 246.9%, 228.5%, 191.8%, 163.6%, 151.9% and 188.1% above the VWAP of the Shares for the 3-year, 2-year, 1-year, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date respectively;

(v) The Offer Price represents a premium of approximately 161.5% above the last traded price of the Shares of S$0.260 on the Last Trading Day;

(vi) The Shares had traded between a low of S$0.600 and a high of S$0.685 for the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;

(vii) The Offer Price represents a premium of approximately 4.6% above the VWAP of the Shares for the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;

(viii) The Offer Price represents a premium of approximately 3.0% above the last traded price of the Shares as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;

(ix) It is likely that the market prices of the Shares after the Trading Suspension is highly influenced by the Offer and may not be maintained at such levels after the close of the Offer;

(x) The average daily traded volume of the Shares for the 3-year, 2-year, 1-year, 6-month, 3-month and 1-month periods prior to the Joint Announcement Date represented approximately 0.06%, 0.06%, 0.07%, 0.06%, 0.07% and 0.09% of the free float of the Shares respectively;

(xi) The traded volume of the Shares on the Last Trading Day represented approximately 0.41% of the free float of the Shares;

(xii) For the period from the Trading Resumption Date up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, the average daily traded volume of the Shares represented approximately 0.50% of the free float of the Shares;

(xiii) The average daily traded volume of the Shares on 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date represented approximately 0.22% of the free float of the Shares;

(xiv) It is likely that the increase in trading volume of the Shares after the Trading Suspension is highly influenced by the Offer and may not be maintained at such levels after the close of the Offer;

(xv) The Shares have generally outperformed the overall Singapore stock market since November 2014 up to 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date;

(xvi) The Offer Price represents a substantial premium of approximately 653.5% to the NAV per Share of approximately 6.37 US cents per Share as at 31 July 2015;

(xvii) The Offer Price represents a premium of approximately 420.5% to the RNAV per Share;

(xviii) The historical P/NAV multiple of the Company of approximately 7.5 times as implied by the Offer Price is above the range of the historical P/NAV multiples of the Comparable Companies;

(xix) The premia implied by the Offer Price over the VWAP for the 1 month period prior to the Trading Suspension and VWAP for the 3 month period prior to the Trading Suspension are significantly above the range of the corresponding premia of the Non-Privatisation Transactions;

(xx) The premium implied by the Offer Price over the last transacted price prior to the Trading Suspension is significantly above the range of the corresponding premia of the Non-Privatisation Transactions;

(xxi) The P/NAV multiple of approximately 7.5 times as implied by the Offer Price is above the range of the corresponding P/NAV multiples of the Non-Privatisation Transactions;

(xxii) The P/RNAV multiple of approximately 5.2 times as implied by the Offer Price is above the range of the corresponding P/RNAV multiples of the Non-Privatisation Transactions;

(xxiii) The Company has not been declaring any dividend on its Shares in respect of the last two financial years; and

(xxiv) Other relevant considerations as set out in section 7.7 of this letter.

**Based upon, and having considered, *inter alia*, the factors described above and the information that has been made available to us as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, and/or the Latest Practicable Date, we are of the opinion that the financial terms of the Offer are fair and reasonable under the market, economic and other relevant conditions prevailing as at 9 November 2015, being the last trading day on the SGX-ST immediately before the Latest Practicable Date, and/or the Latest Practicable Date.**

Accordingly, the Independent Directors may wish to consider advising the Shareholders as follows:

Shareholders who wish to take this opportunity to realise their investments in the Company in the near term and/or who are not confident and optimistic about their equity investments in the Company and/or are not prepared to accept the uncertainties facing the future prospects of the Company under the control of the Offeror, should **ACCEPT** the Offer or sell their Shares on the open market if they can obtain a price higher than the Offer Price, after taking into account all relevant expenses such as brokerage commissions in connection with open market transactions.

Shareholders who do not wish to accept the Offer should be aware that they will be subject to the general risks and rewards associated with equity investments, including but not limited to fluctuations in the price and trading liquidity of the Shares. The Offeror intends to maintain the listing status of the Company on the SGX-ST after the close of the Offer and therefore does not intend to exercise any rights of compulsory acquisition which it may have under Section 215(1) of the Companies Act. However, in the event that less than 10% of the total number of Shares (excluding treasury shares) is held by the public and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to assess the options available at the time.

Shareholders should also note that in the 3-year period leading up to the Trading Suspension, the Shares have not traded at or above the Offer Price and it appears likely that the market prices of the Shares after the Trading Resumption Date is highly influenced by the Offer and may not be maintained at such levels after the close of the Offer.

We would also advise the Independent Directors to caution the Shareholders that they should not rely on our advice to the Independent Directors as the sole basis for deciding whether or not to accept the Offer.

In rendering the above advice, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Yours faithfully
For and on behalf of
**CIMB BANK BERHAD, SINGAPORE BRANCH**

**MAH KAH LOON**
*MANAGING DIRECTOR AND HEAD*
*INVESTMENT BANKING*

**ERIC WONG**
*DIRECTOR*
*INVESTMENT BANKING*

*The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders in relation to the Offer, which has been prepared for the purpose of inclusion in this Offeree Board Circular*

Investec

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13 November 2015

*To: The Independent Board Committee and*
*the Independent Shareholders of Novo Group Ltd.*

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY DELOITTE & TOUCHE CORPORATE FINANCE LIMITED AND DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF NOVO GROUP LTD. (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

## INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer. Details of the Offer are set out in the offeree board circular to the Shareholders dated 13 November 2015 (the "**Offeree Board Circular**"), of which this letter forms a part. Terms in this letter shall have the same meanings as those defined in the Offeree Board Circular unless the context otherwise requires.

On 14 August 2015, the Company was informed by the Vendors, that the Vendors and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendors have 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, as at the date of Completion. The Consideration for the Sale Shares is HK$351,931,505.93, which is equivalent to approximately HK$3.755 per Sale Share. Subsequently on 25 September 2015, Mr. Zhu Jun, being the sole shareholder and a director of the Offeror, acquired 400,000 Shares at a price of HK$3.54 per Share and 300,000 Shares at a price of HK$3.56 per Share through on-market purchase.

The Company and the Offeror announced that all the Conditions have been fulfilled and/or waived and Completion took place on 5 October 2015. Immediately after Completion, the Offeror and parties acting in concert with it became interested in an aggregate of 94,423,437 Shares, representing approximately 55.28% of the issued share capital of the Company. Pursuant to Rule 26.1 of the HK Takeovers Code, the Offeror shall make 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, as made, is unconditional in all respects. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 97,753,002 Shares, representing approximately 57.23% of the issued share capital of the Company.

The Independent Board Committee which comprises all the independent non-executive Directors, namely Mr. Tang Chi Loong, Mr. Foo Teck Leong, and Mr. Tse To Chung, Lawrence has been established to advise the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable; and as to acceptance of the Offer. The Independent Board Committee has approved our appointment as the Independent Finance Adviser to advise it in relation to the Offer to be made by the Offeror pursuant to Rule 26.1 of the HK Takeovers Code.

We are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the "**Management**"), which we have assumed to be true, accurate and complete in all material respects. We have reviewed the published information on the Company, including its annual reports for the year ended 30 April 2015 (the "**2015 Annual Report**") and 30 April 2014 (the "**2014 Annual Report**") respectively, and we have discussed with the Directors their statements set out in Appendix V to the Offeree Board Circular that, save as disclosed therein, there has been no material change in the financial or trading position or outlook of the Group since the date of the last published audited accounts of the Group up to and including the Latest Practicable Date. We have also reviewed the trading performance of the Shares on the SEHK. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Offeree Board Circular are true as at the Latest Practicable Date, and that Shareholders will be notified of any material changes to such representations as soon as reasonably practicable in accordance with Rule 9.1 of the HK Takeovers Code.

We have not considered the tax and regulatory implications of Shareholders, of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Shareholders who are resident overseas, or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if any doubt, consult their own professional advisers.

## MANDATORY UNCONDITIONAL CASH OFFER

As set out in the Offeree Board Circular, Completion took place on 5 October 2015. The Offeror and parties acting in concert with it are interested in an aggregate of 94,423,437 Shares, representing approximately 55.28% of the issued share capital of the Company. Pursuant to Rule 26.1 of the HK Takeovers Code, Deloitte (HK) and Deloitte (SG) are making, on behalf of the Offeror, the Offer. The Offer, as made, is unconditional in all respects. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 97,753,002 Shares, representing approximately 57.23% of the issued share capital of the Company.

### Principal Terms of the Offer

*The Share Offer*

**For each Offer Share** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **HK$3.755 in cash**

As at the Latest Practicable Date, the Company has 170,804,269 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares or confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares, and the Company has not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares or confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The Offer Price of HK$3.755 per Offer Share under the Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

## 1. Background information of the Group

The Shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited since 2008 and dual-listed on the Main Board of the SEHK since 2010. As set out in the 2015 Annual Report, the Company's business is categorised into three main businesses, (i) trading and distribution of iron ore, coal and steel; (ii) tinplate manufacturing; and (iii) tinplate processing, which contributed approximately 77.7%; 13.2% and 9.1% of the Group's revenue for the year ended 30 April 2015, respectively. The Group has expanded its capabilities horizontally in the steel industry value chain and has grown its market presence to more than 30 countries globally since its establishment.

## 2. Financial information and prospects of the Group

### *a. Financial information of the Group – financial performance*

Set out below is a consolidated financial summary of the Group extracted from (i) the 2015 Annual Report; and (ii) the announcement of the Company dated 14 September 2015 in relation to the unaudited financial information for the three months ended 31 July 2015 (the "**2015 Q1 Results Announcement**").

| ***Consolidated income statement*** *Approximate* | **For the three months period ended 31 July 2015** *HK$'million* (unaudited) | **For the three months period ended 31 July 2014** *HK$'million* (unaudited) | **For the year ended 30 April 2015** *HK$'million* (audited) | **For the year ended 30 April 2014** *HK$'million* (audited) |
|---|---|---|---|---|
| **Revenue** | 177.7 | 485.8 | 1,928.8 | 2,118.5 |
| **Loss before tax** | (26.1) | (41.8) | (191.0) | (111.8) |
| **Loss for the period/year** | (26.1) | (41.9) | (192.0) | (112.1) |
| **Attributable to:** | | | | |
| – owners of the Company | (24.6) | (39.3) | (171.5) | (103.0) |
| – non-controlling interests | (1.5) | (2.6) | (20.5) | (9.1) |

*Note:* Figures set out in the table above was denominated in US$, which have been translated in HK$ at the rate of US$1 = HK$ 7.76 for illustrative purposes only.

*For the three months period ended 31 July 2014 and 2015*

As set out in the 2015 Q1 Results Announcement, the Group generated revenue of approximately HK$177.7 million for the three months period ended 31 July 2015, representing a decrease of approximately 63.4% from approximately HK$485.8 million for the three months period ended 31 July 2014. The aforesaid decrease in revenue was primarily attributable to the decrease in contributions from the international trading and tinplate processing plant in Tianjin, and reduction in sales from the selling of closing stocks from the tinplate manufacturing segment.

Notwithstanding the aforesaid notable decrease in revenue, the net loss of the Group amounted to approximately HK$26.1 million for the three months period ended 31 July 2015 as compared to a net loss of approximately HK$41.9 million for the three months period ended 31 July 2014, representing a decrease in net loss of approximately 37.7% primarily due to the Group's tinplate manufacturing production remaining dormant and reduction in distribution and selling expenses.

*For the two years ended 30 April 2014 and 2015*

As set out in the 2015 Annual Report, the Group generated revenue of approximately HK$1,928.8 million for the year ended 30 April 2015, representing a decrease of approximately 9.0% from approximately HK$2,118.5 million for the year ended 30 April 2014. Revenue was mainly attributable to sales from international trade of approximately HK$1,526.9 million, representing approximately 72.1% of the Group's revenue for the year ended 30 April 2014, which decreased to approximately HK$1,498.5 million, and accounted for approximately 77.7% of the Group's revenue for the year ended 30 April 2015. Revenue from tinplate manufacturing for the year ended 30 April 2014 amounted to approximately HK$342.6 million, representing approximately 16.2% of the Group's revenue, as compared to revenue of approximately HK$254.1 million, representing approximately 13.2% of the Group's revenue for the year ended 30 April 2015. Revenue from tinplate processing contributed approximately HK$249.0 million, representing approximately 11.7% of the Group's revenue for the year ended 30 April 2014, and decreased to approximately HK$176.2 million, representing approximately 9.1% of the Group's revenue for the year ended 30 April 2015.

With reference to the Group's revenue geographical contribution, North Asia remained as the Group's main market and revenue driver, accounted for approximately HK$1,678.0 million of the Group's revenue for the year ended 30 April 2015, compared to approximately HK$1,924.2 million for the year ended 30 April 2014, representing a year-on-year decrease of approximately 12.8%. North Asia contributed approximately 87.0% and 90.8% of the Group's revenue for the years ended 30 April 2014 and 2015, respectively. Revenue from South East Asia increased from approximately HK$92.6 million for the year ended 30 April 2014 to approximately HK$140.5 million for the year ended 30 April 2015. The South East Asia market accounted for approximately 4.4% and 7.3% of the Group's revenue for the years ended 30 April 2014 and 2015, respectively. Other regions contributed approximately HK$101.7 million and HK$110.4 million of the Group's revenue for the years ended 30 April 2014 and 2015, representing approximately 4.8% and 5.7% of the Group's revenue, respectively.

The net loss of the Group amounted to approximately HK$192.0 million for the year ended 30 April 2015 as compared to a net loss of approximately HK$112.1 million for the year ended 30 April 2014, representing an increase in net loss of approximately 71.3% primarily due to the weakening PRC import demand, and introduction of PRC import tax. No dividend was declared for each of the years ended 30 April 2014 and 2015.

***b. Financial information of the Group – financial position***

Set out below are the consolidated financial positions of the Group as at 30 April 2014 and 2015, 31 July 2015, respectively.

| *Approximate* | **As at 31 July 2015** *HK$'million* (unaudited) | **As at 30 April 2015** *HK$'million* (audited) | **As at 30 April 2014** *HK$'million* (audited) |
|---|---|---|---|
| **Non-current assets** | 606.8 | 611.7 | 616.2 |
| **Current assets** | 636.3 | 619.0 | 802.3 |
| **Total assets** | 1,243.1 | 1,230.7 | 1,418.5 |
| **Non-current liabilities** | 47.9 | 150.6 | 10.1 |
| **Current liabilities** | 1,093.4 | 951.8 | 1,090.9 |
| **Total liabilities** | 1,141.3 | 1,102.4 | 1,101.0 |
| **Net assets** | 101.8 | 128.3 | 317.5 |
| **Total Equity** | 101.8 | 128.3 | 317.5 |
| **Attributable to:** | | | |
| – owners of the Company | 84.5 | 109.4 | 279.5 |
| – non-controlling interests | 17.3 | 18.9 | 38.0 |
| Net Asset Value (the "**NAV**") per Share attributable to owners of the Company *(Note)* | HK$0.49 | HK$0.64 | HK$1.64 |

*Note:* The NAV per Share attributable to owners of the Company is calculated based on the Shares in issue as at the end of the respective period/year

*Financial position of the Group as at 31 July 2015*

Total assets of the Group increased by approximately HK$12.4 million, from approximately HK$1,230.7 million as at 30 April 2015, to approximately HK$1,243.1 million as at 31 July 2015. While non-current asset balance as at 31 July 2015 has remained more or less stable compared to that of 30 April 2015, current assets have increased from approximately HK$619.0 million as at 30 April 2015 to approximately HK$636.3 million as at 31 July 2015, which was mainly attributable to the increase in trade and other receivables.

Total liabilities as at 30 April 2015 amounted to approximately HK$1,102.4 million, as compared to total liabilities of approximately HK$1,141.3 million as at 31 July 2015, representing an increase of approximately HK$38.9 million during the period. The aforesaid movement was largely attributable to a combination of (i) increase in trade and other payables of approximately HK$19.7 million; and (ii) increase in total borrowings of approximately HK$19.6 million.

The Group's equity attributable to owners of the Company was approximately HK$109.4 million as at 30 April 2015, compared to approximately HK$84.5 million as at 31 July 2015, representing a decrease of approximately HK$24.9 million during the period. The NAV per Share attributable to owners of the Company as at 31 July 2015 was approximately HK$0.49 per Share.

*Financial position of the Group as at 30 April 2014 and 2015*

As set out in the 2015 Annual Report, non-current assets of the Group was largely stable over the two years ended 30 April 2014 and 2015, being approximately HK$616.2 million and HK$611.7 million, respectively, representing a decrease of approximately HK$4.5 million. In relation to the current assets of the Group, the aggregate cash and cash equivalents balance and pledged bank deposits balance of the Group decreased by approximately HK$103.7 million, from approximately HK$363.3 million as at 30 April 2014 to approximately HK$259.6 million as at 30 April 2015. In addition, the Group's inventory decreased by approximately HK$98.2 million from approximately HK$128.6 million as at 30 April 2014 to approximately HK$30.4 million as at 30 April 2015. Such decrease was mainly attributable to an impairment for inventories in Tianjin tinplate processing business and the Group sold and cleared most of the stocks during the year ended 30 April 2015. For the reasons set out above, the Group's total assets of approximately HK$1,418.5 million as at 30 April 2014 decreased by approximately HK$187.8 million to approximately HK$1,230.7 million as at 30 April 2015.

Non-current liabilities of the Group was approximately HK$10.1 million as at 30 April 2014, as compared to approximately HK$150.6 million as at 30 April 2015, representing an increase of approximately HK$140.5 million, which was mainly attributable to the increase in other borrowings and loans from ultimate holding company.

In relation to the movement of the Group's current liabilities, it was primarily attributable to the Group's current borrowings, which decreased by approximately HK$139.1 million from approximately HK$1,090.9 million as at 30 April 2014 to approximately HK$951.8 million as at 30 April 2015. The gearing ratio of the Company as at 30 April 2014 and 2015, calculated as total borrowings (i.e. the total bank loans) divided by equity attributable to owners of the Company, stood at approximately 72.0% and 88.0%, respectively.

The Group's equity attributable to the owners of the Company decreased from approximately HK$279.5 million as at 30 April 2014 to approximately HK$109.4 million as at 30 April 2015. Such decrease was mainly due to net losses incurred in the respective year. This in turn decreased the NAV per Share attributable to owners of the Company from approximately HK$1.64 as at 30 April 2014 to approximately HK$0.64 as at 30 April 2015.

As the Group has been loss-making and no dividend has been paid in each of the financial years ended 30 April 2014 and 2015, the Offer, in our view, represents an opportunity for the Shareholders to realise their investment in the Company at a price representing a premium over its net asset value per Share.

*Going concern and prospects of the Group*

We note from the 2015 Annual Report and the 2015 Q1 Results Announcement that (i) the auditor of the Company, Baker Tilly TFW LLP, was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the financial statements of the Group for the year ended 30 April 2015; (ii) the Group incurred a net loss of approximately US$24.7 million (2014: approximately US$14.5 million) and reported net cash outflows from operating activities of approximately US$6.7 million (2014: net cash inflows of approximately US$4.7 million) during the year ended 30 April 2015. As at 30 April 2015, the Group's current liabilities exceeded its current assets by approximately US$42.9 million; (iii) the Group breached the financial covenants of certain borrowings during the year ended 30 April 2015 (in addition, the Group also defaulted on the repayment of working capital loans amounting to approximately US$7.9 million on the respective due dates and the balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to approximately US$6.5 million); (iv) a subsidiary within the tinplate manufacturing segment has suspended its operations since February 2015 and has not yet resumed its operations as of the Latest Practicable Date; and (v) notwithstanding that the financial statements for the year ended 30 April 2015 have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern. This assumption is premised on future events, the outcome of which is inherently uncertain.

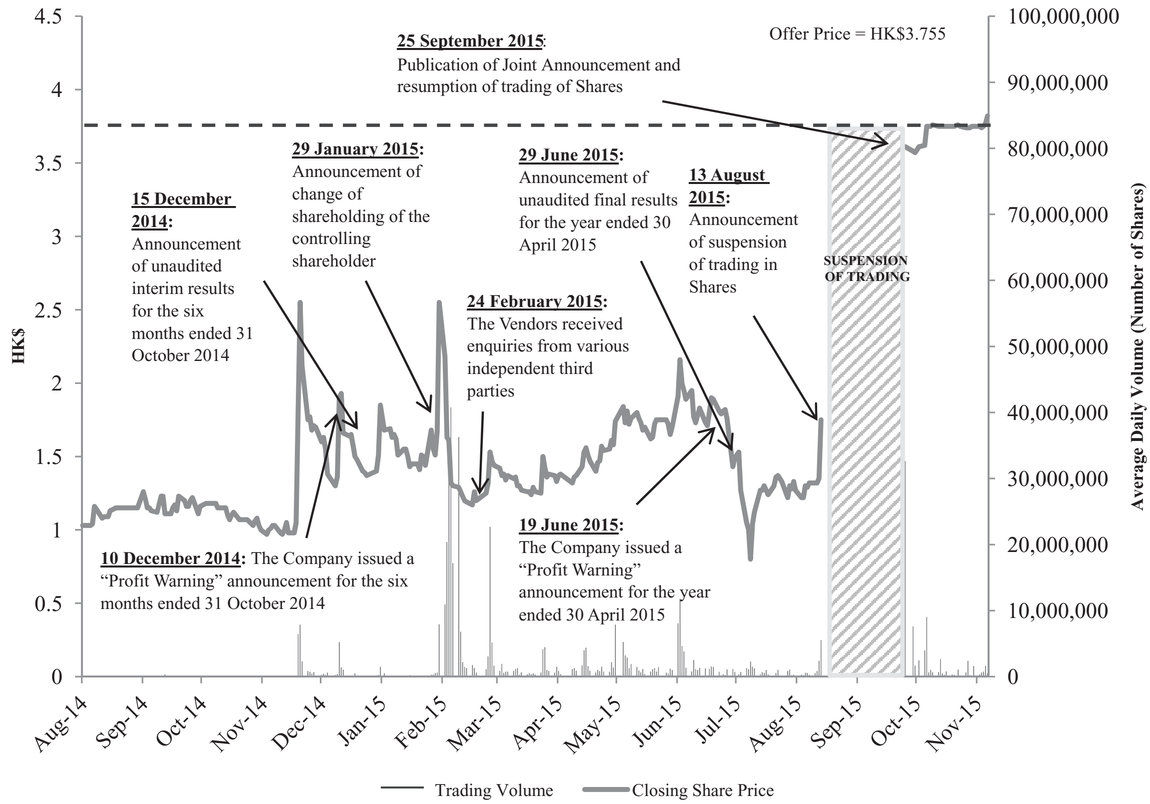
We further understand from the Management that the key influential factors to the Group's revenue include the pricing of (i) PRC domestic hot rolled steel coil; and (ii) PRC domestic cold rolled steel coil. Based on data published in Bloomberg, between July 2015 to October 2015, the pricing of PRC hot and cold rolled steel coil have experienced downward pressure. In addition, a substantial amount of the borrowings of the Group is denominated in US dollars and HK dollars, due to the expected forthcoming federal interest rate hikes, which if consummated, may lead to possible raise in borrowing costs in U.S. dollars and Hong Kong dollars thus increasing the costs of financing of the Group. Furthermore, the slowdown in the overall PRC economy and consumer market may have further adverse impact on the demand of the Group's products.

## 3. Analysis of price performance and trading liquidity

### *a. Review of trading of the Shares*

We have reviewed and analysed the closing prices of the Shares over the 12 months period immediately prior to the Last Trading Day commencing on 13 August 2014 (the "**First Review Period**") and from the date of the Joint Announcement up to and including the Latest Practicable Date (the "**Second Review Period**" together with the First Review Period, the "**Review Period**") below:

**Graph A: The closing price performance of the Company during the Review Period**




*Source: Bloomberg*

As set out in Graph A, during the First Review Period, (i) the highest closing price of the Shares was HK$2.55 on 20 November 2014 and 30 January 2015, respectively; and (ii) the lowest closing price of the Shares was HK$0.80 on 8 July 2015. During the Second Review Period, (i) the highest closing price of the Shares was HK$3.82 on 6 November 2015, respectively; and (ii) the lowest closing price of the Shares was HK$3.57 on 30 September 2015. From the commencement of the First Review Period and up to 9 December 2014, being the trading date immediately prior to the publication of the profit warning announcement dated 10 December 2014 (the "**Interim Profit Warning Announcement**") in relation to the expected increase in loss for the six months ended 31 October 2014, the closing price of the Shares was between HK$0.97 and HK$2.55 per Share.

After the publication of the Interim Profit Warning Announcement, the Shares closed at HK$1.9 per Share on 10 December 2014, and decreased further to HK$1.37 per Share on 24 December 2014 before increasing to the highest closing price of HK$2.55 per Share during the First Review Period on 30 January 2015, being the first full trading day after the publication of the announcement in respect of the change in shareholding of the controlling Shareholder dated 29 January 2015.

Between February 2015 and August 2015 (up to and including the Last Trading Day), the closing Share prices were between HK$1.00 per Share and HK$2.00 per Share, save for the closing Share price of (i) HK$2.18 on 2 February 2015; (ii) HK$2.16 on 2 June 2015; and (iii) HK$0.80 on 8 July 2015, respectively. At the request of the Company, the trading in the Shares on the SEHK was suspended on 13 August 2015 pending the publication of the Joint Announcement.

The average closing price during the First Review Period was approximately HK$1.41 per Share (the "**First Review Period Average Closing Price**"). On this basis, the Offer Price of HK$3.755 per Offer Share represents a premium of approximately 166.3% over the First Review Period Average Closing Price.

After the publication of the Joint Announcement, the trading in the Shares resumed on 25 September 2015 and closed at HK$3.61 per Share. As at the Latest Practicable Date, the closing price was at HK$3.78 per Share.

During the Second Review Period, the highest and lowest closing price was at HK$3.82 per Share on 6 November 2015 and HK$3.57 per Share on 30 September 2015, respectively. The average closing price during the Second Review Period was approximately HK$3.73 per Share (the "**Second Review Period Average Closing Price**"). On this basis, the Offer Price of HK$3.755 per Offer Share represents (i) a premium of approximately 0.7% over the Second Review Period Average Closing Price; and (ii) a discount of approximately 0.7% over the closing price as at the Latest Practicable Date.

Over the Review Period, the average closing price was approximately HK$1.66 per Share (the "**Review Period Average Closing Price**"). As such, the Offer Price of HK$3.755 per Offer Share represents a premium of approximately 126.2% over the Review Period Average Closing Price.

**Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares, may increase or decrease from its closing price as at the Last Practicable Date.**

***b. Trading liquidity of the Shares***

Set out below in table A is the monthly total trading volumes of the Shares and the percentages of the total monthly trading volume to the (i) total issued Shares as at the Last Trading Day; and (ii) Public Float (defined hereafter) of the Company during the First Review Period:

**Table A: Historical trading volume and daily trading liquidity**

| | **Daily total trading volume of the Shares** *(Note 1)* *(approximate)* | **Percentage of the daily total trading volume of the Shares to the total issued Shares** *(Note 2)* *(approximate)* | **Percentage of the daily total trading volume of the Shares to the Public Float** *(Note 3)* *(approximate)* |
|---|---|---|---|
| **2014** | | | |
| August (from the commencement of the First Review Period i.e. 13 August) | 7,231 | > 0.1% | > 0.1% |
| September | 51,857 | > 0.1% | 0.1% |
| October | 23,857 | > 0.1% | > 0.1% |
| November | 1,000,200 | 0.6% | 1.4% |
| December | 644,810 | 0.4% | 0.9% |
| **2015** | | | |
| January | 555,571 | 0.3% | 0.8% |
| February | 11,382,389 | 6.7% | 15.6% |
| March | 1,114,920 | 0.7% | 1.5% |
| April | 1,795,500 | 1.1% | 2.5% |
| May | 1,472,006 | 0.9% | 2.0% |
| June | 2,110,232 | 1.2% | 2.9% |
| July | 727,727 | 0.4% | 1.0% |
| August (up to the Last Trading Day) | 869,942 | 0.5% | 1.2% |
| Average | 1,673,557 | 1.0% | 2.3% |
| Average (excluding February 2015) *(Note 4)* | 864,488 | 0.5% | 1.2% |

*Notes:*

(1) *Source: Bloomberg*

(2) The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company at the Last Trading Day.

(3) The calculation is based on the monthly total trading volume of the Shares divided by the total number of Shares held by the public (being issued shares as at Last Trading Date less shares held by Vendors, the "Public Float") as at the Last Trading Day.

(4) February 2015 has been excluded for historical trading volume and daily trading liquidity analysis as average daily trading volume of Shares in February 2015 is substantially higher than that of the average daily trading volume of the Shares during the First Review Period.

As set out in Table A, the highest average daily trading volume of the Shares during the First Review Period was approximately 11.4 million in February 2015, representing approximately 15.6% of the Public Float. The average daily trading volume of the Shares in February 2015 is substantially higher than that of the preceding and subsequent calendar months as well as the average daily trading volume of the Shares during the First Review Period. We noted that the Company issued an announcement dated (i) 29 January 2015 in relation to the change in shareholding of the controlling shareholders (the "**Change in Shareholding Announcement**"); and (ii) 24 February 2015 in relation to the Company has received enquiries from various independent third parties regarding the subscription of the Shares and interest in the investment into the Group's business and/or assets (the "**Express of Interest Announcement**"). During February 2015, the daily trading volume exceeded 10.0 million Shares during seven out of eighteen trading days, of which the daily trading volume of five trading days exceeded 20.0 million Shares. Save for seven trading days in February 2015, only one trading day during the First Review Period had a daily trading volume exceeding 8.0 million Shares. As such, management believes that the relatively high average daily trading volume recorded in February 2015 was an isolated occurrence during the First Review Period.

The lowest monthly average daily trading volume of the Shares during the First Review Period was approximately 0.02 million in October 2014, representing less than 0.1% of the Public Float. The average daily trading volume of the Shares during the First Review Period was approximately 1.7 million, representing approximately 2.3% of the Public Float. If the daily trading volume recorded in February 2015 were to be excluded from the analysis, the average daily trading volume of the Shares during the First Review Period would be approximately 0.9 million, representing approximately 1.2% of the Public Float.

In addition, we have further analysed the closing Share price during the period commencing from the first day of the First Review Period up to the trading day immediately prior the publication of Change in Shareholding Announcement (the "**Pre-Announcement Period**"), with a view to identifying the monthly average daily trading volume prior to the publication of Express of Interest Announcement, which may have had an effect on the trading volume of the Shares. During the Pre-Announcement Period, the average daily trading volume was approximately 0.3 million Shares, which represents approximately 0.5% of the Public Float, which is considered to be low trading volume. On this basis, the Independent Shareholders might not be able to dispose of a significant shareholding in the Company in the market without exerting a downward pressure on the market price of the Shares. As such, the Offer represents an alternative exit for the Independent Shareholders to realise their investments in the Shares at the Offer Price.

*c. Offer Price comparisons*

The closing price of the Shares as quoted on the SEHK on the Last Trading Day was HK$1.75, respectively.

The Offer Price of HK$3.755 per Offer Share represents:

(i) a premium of approximately 114.57% over the closing price of HK$1.75 per Share as quoted on the SEHK on the Last Trading Day;

(ii) a premium of approximately 165.93% over the average of the closing prices of the Shares as quoted on the SEHK for the five consecutive trading days up to and including the Last Trading Day of HK$1.412 per Share;

(iii) a premium of approximately 181.06% over the average of the closing prices of the Shares as quoted on the SEHK for the 10 consecutive trading days up to and including the Last Trading Day of HK$1.336 per Share;

(iv) a premium of approximately 197.78% over the average of the closing prices of the Shares as quoted on the SEHK for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$1.261 per Share; and

(v) a premium of approximately 486.72% over the audited consolidated net asset value per Share (based on the number of the issued Shares as at 30 April 2015) of the Company of approximately HK$0.64 as at 30 April 2015.

*d. Highest and lowest Share price*

During the six-month period preceding the commencement of the Offer Period, i.e. 13 August 2015:

(i) the highest closing price of the Shares as quoted on the SEHK was HK$2.16 per Share on 2 June 2015; and

(ii) the lowest closing price of the Shares as quoted on the SEHK was HK$0.80 per Share on 8 July 2015.

As further analysed under the section headed "3. Analysis of price performance and trading liquidity – a. Review of trading of the Shares", the Shares have been traded notably below the Offer Price for the duration of the First Review Period. The Offer Price represents a premium of approximately 114.6% over the closing price of

HK$1.75 as quoted on the Last Trading Day. The Offer Price also represents approximately a premium of 486.7% and 666.3% over the Group's audited consolidated net asset value per Share attributable to owners of the Company of approximately HK$0.64 as at 30 April 2015 and approximately HK$0.49 as at 31 July 2015, respectively. On this basis, we consider the Offer Price to be fair and reasonable so far as the Independent Shareholders are concerned.

**4. Peer comparison**

In addition to the above analysis, we have set out below our analysis on the price-to-earnings ratio (the "**P/E ratio**") and the price-to-book ratio (the "**P/B ratio**") of the Company based on the Offer Price. As set out in the 2015 Annual Report, for the year ended 30 April 2015, the Group (i) derived its revenue from its trading and distribution of iron ore, coal and steel, tinplate manufacturing and processing; and (ii) recorded a loss attributable to owners of the Company of approximately US$24.7 million (equivalent to approximately HK$192.0 million). On this basis, no P/E ratio was calculated for the purpose of our analysis below.

Based on the audited consolidated statements of financial position as set out in the 2015 Annual Report, the equity attributable to the owners of the Company amounted to approximately US$14.1 million (equivalent to approximately HK$109.4 million) as at 30 April 2015. On this basis, the implied P/B ratio is calculated to be approximately 5.86 times (i.e. HK$3.755 (Offer Price)/HK$0.64 (Audited net asset value per Share attributable to owners of the Company, being HK$109.4 million/170.8 million shares as at 30 April 2015).

Having considered the financial performance and position of the Group for the year ended 30 April 2015 as set out above, we have set forth the following criteria for the purpose of identifying comparable companies, the shares of which are listed on the Main Board of the SEHK, (i) a majority of total revenue derived from trading/manufacturing/processing of either steel/iron/coal/tinplate products or a combination of the above, from the PRC; (ii) a market capitalisation of HK$250 million to HK$900 million as at the Latest Practicable Date; (iii) revenue of HK$500 million to HK$2,500 million from the most recent full year financial statements available as at the Latest Practicable Date; and (iv) companies with no mining rights (together the "**Criteria**"). Our market capitalisation criteria was initially set at the range of HK$250 million to HK$600 million, however, in view of that only one comparable company fulfilled such market capitalisation criteria together with other abovementioned specified criteria, namely Huscoke Resources (defined hereafter), we increased the threshold of the market capitalisation to the range of HK$250 million to HK$900 million. Based on the Criteria, we identified three comparable companies (the "**Comparable Companies**").

The analysis on the Comparable Companies are set out in the table below:

**Table B: Analysis on the Comparable Companies**

| **Name of listed company** | **Principal business** | **Market capitalisation as at the Latest Practicable Date** *(HK$ million)* | **Price to book multiple ("P/B")** *(Note 1)* *(times)* |
|---|---|---|---|
| Shougang Concord Century Holdings Limited ("Shougang Concord") (Stock code: 103) | Manufactures steel cords; and processing and trading of copper and brass products | 576.9 | 0.31 |
| APAC Resources Limited ("APAC Resources") (Stock code: 1104) | Trading in base metals; and trading and investment of listed securities | 836.4 | 0.27 |
| Huscoke Resources Holdings Limited ("Huscoke Resources") (Stock code: 704) | Coke trading business; coal-related ancillary business; and coke production business | 398.5 | 0.88 |
| | | **Mean** | 0.49 |
| | | **Maximum** | 0.88 |
| | | **Minimum** | 0.27 |
| **The Group** | | | |
| Novo Group Ltd. | The Company is engaged in trading and distribution of iron ore, coal and steel products; and manufacturing, sales and distribution of tinplate and related products for metal packaging industry. | 645.6 | 5.86 *(Note 2)* |

*Source: Most recent full year annual reports available at the Latest Practicable Date*

*Notes:*

(1) P/B ratio is calculated based on the equity attributable to shareholders per share as at the year end of the latest completed financial year divided by the Share price as at the Latest Practicable Date.

(2) The implied P/B ratio is calculated based on the offer price share divided by the audited net asset value per Share attributable to owners of the Company.

(3) For the purpose of the analysis set out in the Table B above, RMB has been converted to HK$ at the rate of RMB1.218 = HK$1. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

As per Table B above, the P/B ratio of the Comparable Companies ranged from approximately 0.27 times to 0.88 times, with an average of approximately 0.49 times. The implied P/B ratio based on the Offer Price of approximately 5.86 times is significantly higher than the average and the maximum P/B ratio of the Comparable Companies. Out of the three Comparable Companies, (i) Shougang Concord, which has a P/B ratio of approximately 0.31 times, has the closest market capitalisation to the Company as at the Latest Practicable Date; and (ii) Huscoke Resources, which has a P/B ratio of approximately 0.88 times, has the closest net asset attributable to owners of the company to that of the Company.

In summary, (i) the Company has no implied P/E ratio as it was loss making for the year ended 30 April 2015; and (ii) the implied P/B ratio based on the Offer Price of approximately 5.86 times is higher than the average and the maximum P/B ratio of the Comparable Companies as shown in Table B above.

**5. Information on the Offeror**

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 11 August 2015. Its sole shareholder is Mr. Zhu Jun, and its directors are Mr. Zhu Jun and Ms. Wang Jianqiao.

Set out below are Mr. Zhu Jun and Ms. Wang Jianqiao's biographical information:

Mr. Zhu Jun, aged 56, is a merchant and also an executive director and executive chairman of GNet Group plc, an eCommerce company incorporated in Jersey. In addition, Mr. Zhu has served as the general manager of Sun Shine Holding Group Inc. in Guangzhou since 1997. He is a World Fellow of The Duke of Edinburgh's International Award since 2014. He holds a bachelor's degree from the Beijing Agricultural Engineering University and studied at Guangdong Academy of Social Science from 1988 to 1990.

Ms. Wang Jianqiao, aged 27, had worked for large enterprises including the Finance Shared Service Center of the Baosteel Group in 2012 and Ping An Bank between 2013 and 2015. Ms. Wang served as a vice president of Xinxing Investment Group in 2014 and was appointed as a director of Xinxing Investment Group and Golden Star Group Limited in 2015. Ms. Wang holds a bachelor's degree in Management from the Shanghai Finance University.

**6. Intention of the Offeror regarding the Company**

Following the close of the Offer, the Offeror intends that the Group will continue the principal business of the Group and will maintain the listing status of the Company on the Main Board of the SEHK and on the SGX-ST.

The Offeror will conduct a review of the business activities and assets of the Group for the purpose of developing a strategic business plan for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

As at the Latest Practicable Date, no such investment or business opportunities had been confirmed nor had the Offeror entered into any agreement or arrangement in relation to the injection of any assets or business into the Group. Further, as at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of the employees of the Group (save for the change in the composition of the Board); (ii) introduce any major changes to the business of the Company or to the operations of any of its subsidiaries; or (iii) dispose of or re-deploy the fixed assets of the Group other than those in its ordinary course of business.

The intentions of the Offeror for the Company as set out in this section are based on current views and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Offeror. There is no assurance that the current intentions will be carried into effect, and the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Offeror or the Company.

***Proposed change of board composition of the Company***

The Board is currently made up of seven Directors, comprising four executive Directors, being Mr. Zhu Jun, Ms. Wang Jianqiao, Mr. Yu and Mr. Chow; and three independent non-executive Directors, being Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence.

Mr. Yu Wing Keung, Dicky has tendered his resignation as an executive Director and executive chairman of the Company and Mr. Tse To Chung, Lawrence has tendered his resignation as an independent non-executive Director and as a member of each of the audit committee, remuneration committee and nominating committee of the Company both with effect from the first closing date of the Offer in compliance with Rule 7 of the HK Takeovers Code.

An announcement in relation to the resignation of Directors will be made by the Company in due course.

***Maintenance of the listing status of the Company – the SEHK***

**The SEHK has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the SEHK believes that (i) a false market exists or may exist in the**

**trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.**

The directors of the Offeror and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Offer.

**Free float requirement**

For details in relation to the applicable SGX-ST related rules and regulation in connection with the Offer under the Singapore Takeovers Code, please refer to the Offeree Board Circular.

**The Offeror intends to maintain the listing of the Shares on the Main Board of the SEHK and on the SGX-ST after the close of the Offer.**

## OPINIONS AND RECOMMENDATION

Having considered the principal factors and reasons as set out in this letter, in particular:

(i) the Offer Price represents a notable premium to the closing price of the Shares for the entire First Review Period;

(ii) the Offer Price represents a premium of approximately 114.6% to the closing price of the Shares as at Last Trading Day of approximately HK$1.75 per Share as quoted on the SEHK on the Last Trading Day;

(iii) the Offer Price represents a significant premium of (a) approximately 486.7% over the audited consolidated net asset value per Share (based on the number of the issued Shares as at 30 April 2015) of the Company of approximately HK$0.64 as at 30 April 2015; and (b) approximately 666.3% over the unaudited consolidated net asset value per Share (based on the number of the issued Shares as at 31 July 2015) of the Company of approximately HK$0.49 as at 31 July 2015;

(iv) the Offer Price represents an implied P/B ratio of approximately 5.86 times which is higher than the average and maximum P/B ratio of the Comparable Companies;

(v) the notable increase in the average daily trading volume of the Shares in February 2015 is considered to be an isolated occurrence, it is noted that the average daily trading volume of the Shares during the (i) First Review Period (excluding February 2015); and (ii) the Pre-Announcement Period represent approximately 1.2% and 0.5% of the Public Float, and thus the Independent Shareholders might not be able to dispose of a significant shareholding in the Company in the market without exerting a downward pressure on the market price of the Shares while the Offer represents an alternative exit for the Independent Shareholders to realise their investments in the Shares at the Offer Price; and

(vi) the Group has been loss making for the most recent two completed financial years ended 30 April 2014 and 2015, and for the three months ended 31 July 2015 and the audited loss attributable to the owners of the Company has increased notably by 66.5% year on year to approximately HK$171.5 million for the year ended 30 April 2015,

we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders who would like to realise part or all of their investments in the Shares should monitor the market prices of the Shares during the period of the Offer. In the event that the market price of the Shares exceeds the Offer Price during the period of the Offer and the sale proceeds after the relevant transaction costs exceed the net amounts receivable under the Offer, the Independent Shareholders should consider selling their Shares in the open market instead of accepting the Offer.

For those Independent Shareholders who wish to retain part or all of their investments in the Shares are reminded to consider the intentions of the Offeror after the close of the Offer, details of which are set out under the section headed "8. Intention of the Offeror in relation to the Company" of this letter and in the Offer Document.

For those Independent Shareholders who have their Shares registered in the principal register of members of the Company in Singapore, you are also advised to read the IFA (SG) Letter and the recommendations stated therein.

Yours faithfully
For and on behalf of
**Investec Capital Asia Limited**
**Alexander Tai**
*Managing Director*
*Head of Corporate Finance*

*Mr. Alexander Tai of Investec Capital Asia Limited is a responsible officer of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.*

## 1. DIRECTORS

The names, addresses and designations of the directors of the Company as at the Latest Practicable Date are as follows:

| Name | Address | Designation in the Company |
|---|---|---|
| Zhu Jun | G/F, No.210<br>Tong Min Tsuen, Lam Tsuen<br>Tai Po, New Territories<br>Hong Kong | Executive chairman of the Board ("**Executive Chairman**") and Executive Director |
| Yu Wing Keung Dicky | 52A, Tower 6, Phase 2<br>Residence Bel-Air<br>No.38 Bel-Air Avenue, Pokfulam<br>Hong Kong | Executive Director |
| Chow Kin Wa | Flat B, 51/F, Block 6, Coastal Skyline, Tung Chung<br>New Territories<br>Hong Kong | Chief Executive Officer and Executive Director |
| Wang Jianqiao | No. 3 Building, 100 Gaoping Road<br>Zhaibei District, Shanghai<br>the People's Republic of China | Executive Director |
| Tang Chi Loong | 485 Ang Mo Kio Avenue 2<br>Horizon Gardens<br>Singapore 567898 | Independent non-executive Director |
| Foo Teck Leong | 6 Fudu Walk<br>Singapore 789505 | Independent non-executive Director |
| Tse To Chung, Lawrence | Flat C, 2/F Block 3<br>Braemar Hill Mansions<br>No 19 Braemar Hill Road<br>North Point<br>Hong Kong | Independent non-executive Director |

## 2. PRINCIPAL ACTIVITIES

The Company was incorporated under the laws of Singapore on 29 June 1989 and is listed on the Main Board of the SGX-ST and the SEHK. The principal activity of the Company is investment holding. The Group is principally engaged in trading and distribution of iron ore, coal and steel products, and manufacturing, sales and distribution of electrolytic tinplate and related products for metal packaging industry.

## 3. SHARE CAPITAL

### 3.1. Authorised and issued share capital of the Company

The Company has only one class of shares, being ordinary shares, all fully-paid or credited as fully-paid, with equal ranking rights to dividend, voting at general meetings and return of capital. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$154,908,683.00, comprising 170,804,269 Shares.

The Company was incorporated in Singapore. Pursuant to the Singapore Companies (Amendments) Act 2005, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

**There is no restriction in the Memorandum or Articles of the Company on the right to transfer any Shares, which has the effect of requiring the holders of Offer Shares, before transferring them, to offer them for purchase to members of the Company or to any other person.**

**As at the Latest Practicable Date, the Company does not hold any treasury shares. Since the end of FY2015 and up to the Latest Practicable Date, the Company has not issued any new Shares nor has there been any alteration in the share capital of the Company.**

The Shares are quoted and listed on the Main Board of the SGX-ST and the SEHK.

### 3.2. Convertible Securities

(i) As at the Latest Practicable Date, there were no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights affecting shares in the Company.

(ii) As at the Latest Practicable Date, the Company did not have any other options, warrants, derivatives and other convertible securities or rights affecting the Shares.

(iii) As at the Latest Practicable Date, other than the capital of the Company, there was no capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

(iv) As at the Latest Practicable Date, neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures.

### 3.3. Rights of Shareholders in respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles. For ease of reference, selected texts of the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced in Appendix IV to this Circular.

## 4. SUMMARY OF FINANCIAL INFORMATION UNDER THE SINGAPORE TAKEOVER CODE

### 4.1. Financial Information of the Group

Please refer to Appendix V to this Circular for further financial information in relation to the Group.

### 4.2. Material changes in financial position

As at the Latest Practicable Date, there has not been, within the knowledge of the Company, any material change in the financial position or prospects of the Company since 30 April 2015, being the date on which the last published audited consolidated financial statements of the Group were made up.

### 4.3. Significant accounting policies

The significant accounting policies of the Group which are disclosed in notes 2 and 3 of the audited consolidated financial statements of the Group for FY2015 as extracted from the Company's Annual Report 2015 are reproduced in **Appendix V** to this Circular.

Save as disclosed in this Circular and save for information on the Group which is publicly available (including, without limitation, the audited financial statements of the Company for FY2013, FY2014 and FY2015), there were no significant accounting policies or any point from the notes of the accounts of the Company which are of major relevance for the interpretation of the accounts.

### 4.4. Changes in accounting policies

As at the Latest Practicable Date, save as publicly disclosed, there has been no change in the accounting policies of the Company which will cause the figures in the financial statements of the Company to be not comparable to a material extent.

## 5. DISCLOSURE OF INTERESTS UNDER THE SINGAPORE TAKEOVER CODE

### 5.1. Interests of the Company in shares of the Offeror

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries owns any shares, securities which carry voting rights, or convertible securities, warrants, options or derivatives in respect of shares or securities which carry voting rights (collectively, "**Relevant Securities**") of the Offeror, whether directly or indirectly.

### 5.2. Dealings in shares of the Offeror by Company

Neither the Company nor any of its subsidiaries have dealt for value in the shares or Relevant Securities of the Offeror during the Relevant Period.

### 5.3. Interests of Directors in the Shares and Relevant Securities

As at the Latest Practicable Date, based on information available to the Company and save as disclosed below, none of the Directors has any direct or deemed interest in any of the Shares or Relevant Securities of the Company:

| **Director** | **No. of Shares held** | **Approximate Shareholding** *(%)* |
|---|---|---|
| Foo Teck Leong[1] | 17,500 | 0.01 |
| Zhu Jun[2] | 97,753,002 | 57.23 |

*Notes:*

(1) Mr Foo Teck Leong is an independent non-executive Director. He has accepted the Offer in respect of all 17,500 Shares held by him.

(2) Out of these 97,753,002 Shares, 97,053,002 Shares are held by the Offeror, of which 3,329,565 Shares are due to acceptances of the Offer by Shareholders and 700,000 Shares are held by Mr. Zhu Jun. Under Section 7 of the Singapore Companies Act, Mr Zhu Jun as the sole shareholder of the Offeror is deemed to be interested in all the Shares held by the Offeror.

### 5.4. Dealings in the Shares and Relevant Securities by the Directors

Save as disclosed below, none of the Directors has dealt for value in any of the Shares or Relevant Securities of the Company during the Relevant Period:

| Name | Interest | Date of Dealing | No. of Shares | Transaction Price per Share *(HK$)* | Details of Dealing |
|---|---|---|---|---|---|
| Yu Wing Keung Dicky | Direct | 14 August 2015 | 8,271,531 | 3.755 | Sold to Offeror pursuant to the Acquisition |
| | Deemed[1] | 14 August 2015 | 82,983,750 | 3.755 | Sold to Offeror pursuant to the Acquisition |
| Chow Kin Wa | Direct | 14 August 2015 | 2,468,156 | 3.755 | Sold to Offeror pursuant to the Acquisition |
| | Deemed[2] | 14 August 2015 | 82,983,750 | 3.755 | Sold to Offeror pursuant to Acquisition |
| Foo Teck Leong | Direct | 5 November 2015 | 17,500 | 3.755 | Acceptance of the Offer |
| Zhu Jun | Deemed[3] | 14 August 2015 | 93,723,437 | 3.755 | Bought a total of 93,723,437 Shares from the Vendors pursuant to the Acquisition |
| | Direct | 25 September 2015 | 400,000 | 3.54 | Bought through on-market purchase |
| | Direct | 25 September 2015 | 300,000 | 3.56 | Bought through on-market purchase |
| | Deemed[3] | 30 October 2015 | 999,500 | 3.755 | Due to acceptance of the Offer by Shareholders |
| | Deemed[3] | 3 November 2015 | 1,007,588 | 3.755 | Due to acceptance of the Offer by Shareholders |

| Name | Interest | Date of Dealing | No. of Shares | Transaction Price per Share *(HK$)* | Details of Dealing |
|---|---|---|---|---|---|
| | Deemed[3] | 4 November 2015 | 160,651 | 3.755 | Due to acceptance of the Offer by Shareholders |
| | Deemed[3] | 5 November 2015 | 305,149 | 3.755 | Due to acceptance of the Offer by Shareholders |
| | Deemed[3] | 6 November 2015 | 680,152 | 3.755 | Due to acceptance of the Offer by Shareholders |
| | Deemed[3] | 9 November 2015 | 176,525 | 3.755 | Due to acceptance of the Offer by Shareholders |

*Notes:*

(1) New Page held 82,983,750 Shares in the Company prior to Completion. Under Section 7 of the Singapore Companies Act, Mr Yu is deemed to be interested in the Shares held by New Page in the Company, as the beneficial owner as to 70% of New Page.

(2) New Page held 82,983,750 Shares in the Company prior to Completion. Under Section 7 of the Singapore Companies Act, Mr Chow is deemed to be interested in the Shares held by New Page in the Company, as the beneficial owner as to 30% of New Page.

(3) Under Section 7 of the Singapore Companies Act, Mr. Zhu Jun is deemed to be interested in all the Shares held by the Offeror, as the sole shareholder of the Offeror.

### 5.5. Interests of Directors in the shares of the Offeror

As at the Latest Practicable Date, save for Mr. Zhu Jun being the sole shareholder of the Offeror (as disclosed above), none of the Directors has any direct or deemed interest in any of the shares or Relevant Securities of the Offeror.

### 5.6. Dealings in the shares of the Offeror by the Directors

As at the Latest Practicable Date, save for Mr. Zhu Jun's subscription of 50,000 ordinary shares in the Offeror of US$1.00 each on 14 August 2015, none of the Directors has dealt for value in any of the shares or Relevant Securities of the Offeror during the Relevant Period.

**5.7. Interests of the IFAs in the Shares**

As at the Latest Practicable Date, CIMB Securities (Singapore) Pte. Ltd. ("CIMB Securities"), a related corporation of the IFA (SG), owns 41 Shares. Besides the aforesaid, the IFA (SG), its other related corporations and funds whose investments are managed by the IFA (SG) on a discretionary basis do not own or control any of the Shares or Relevant Securities of the Company as at the Latest Practicable Date.

**5.8. Dealings in the Shares by the IFAs**

During the Relevant Period, CIMB Securities, a related corporation of the IFA (SG), had dealt for value in the Shares during the Relevant Period as set out below:

| Date of Transaction | Exchange | No. of Shares Acquired | No. of Shares Sold | Transaction Price per Share |
|---|---|---|---|---|
| 30 January 2015 | SGX-ST | 50 | – | S$ 0.16 |
| 12 February 2015 | SGX-ST | – | 1 | S$ 0.16 |
| 12 February 2015 | SGX-ST | 50 | – | S$ 0.14 |
| 13 February 2015 | SGX-ST | 6 | – | S$ 0.17 |
| 16 February 2015 | SGX-ST | – | 100 | S$0.205 |
| 4 March 2015 | SGX-ST | 25 | – | S$ 0.15 |
| 13 March 2015 | SGX-ST | 50 | – | S$ 0.13 |
| 25 March 2015 | SGX-ST | 37 | – | S$ 0.11 |
| 31 March 2015 | SGX-ST | – | 100 | S$ 0.22 |
| 16 April 2015 | SGX-ST | 68 | – | S$0.092 |
| 27 April 2015 | SGX-ST | 99 | – | S$0.072 |
| 29 April 2015 | SGX-ST | – | 100 | S$ 0.25 |
| 30 April 2015 | SGX-ST | 32 | – | S$ 0.06 |
| 4 May 2015 | SGX-ST | – | 100 | S$0.265 |
| 5 May 2015 | SGX-ST | 25 | – | S$ 0.04 |
| 22 June 2015 | SGX-ST | 5,000 | – | S$ 0.29 |
| 29 July 2015 | SEHK | – | 5,000 | HK$ 1.31 |

The above dealings in Shares were by the proprietary traders of CIMB Securities. Save as disclosed above, neither the IFA (SG), its other related corporations and funds whose investments are managed by the IFA (SG) on a discretionary basis have dealt for value in the Shares during the Relevant Period.

**5.9. Directors' Intentions**

As at the Latest Practicable Date, Mr. Foo Teck Leong has a direct interest in 17,500 Shares, representing approximately 0.01% of the total number of issued Shares. Mr. Foo Teck Leong has informed the Company that he intended to accept the Offer in respect of the Shares held by him, and has accepted the Offer in respect of all the Shares held by him.

Save as disclosed above and except for the holding of 97,053,002 Shares by the Offeror (a company wholly-owned by Mr. Zhu Jun) and the holding of 700,000 Shares by Mr. Zhu Jun, as at the Latest Practicable Date, none of the Directors has any other direct or deemed interest in the Shares.

## 6. DISCLOSURE OF INTERESTS UNDER THE HK TAKEOVERS CODE

### 6.1. Disclosure of Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interest of the Directors in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or required to be disclosed in this Circular pursuant to the requirements of the HK Takeovers Code were as follows:

| Name of Director | Capacity | Number of Shares | Approximate percentage of total issued share capital |
|---|---|---|---|
| Zhu Jun | Interest of controlled corporation *(Note 1)* | 97,053,002 | 56.82% |
| | Beneficial owner | 700,000 | 0.41% |
| Foo Teck Leong | Beneficial owner *(Note 2)* | 17,500 | 0.01% |

*Note 1:* The Offeror is entirely owned by Mr. Zhu Jun. By virtue of Part XV of the SFO, Mr. Zhu Jun is deemed to be interested in all the Shares held by the Offeror.

*Note 2:* Mr. Foo Teck Leong has accepted the Offer in respect of all 17,500 Shares held by him.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has interest in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the

SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or required to be disclosed in this Circular pursuant to the requirements of the HK Takeovers Code.

**6.2. Interests in the Offeror**

As at the Latest Practicable Date, save that Mr. Zhu Jun, an executive Director, is the sole shareholder of the Offeror, neither the Company nor any of the Directors have any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

**6.3. Dealings in Securities of the Company**

During the Relevant Period,

(i) save for the Sale and Purchase Agreement dated 14 August 2015 pursuant to which New Page, Mr. Yu and Mr. Chow sold an aggregate of 93,723,437 shares to the Offeror, being a company wholly owned by Mr. Zhu Jun, an executive Director, at an aggregate consideration of HK$351,931,505.93, the purchase of 400,000 Shares at a price of HK$3.54 per Share and 300,000 Shares at a price of HK$3.56 per Share by Mr. Zhu Jun on 25 September 2015 and save as disclosed in the section 6.6 headed "Acceptance of Shares under the Offer" in this Appendix and the acceptance of the Offer by Mr. Foo Teck Leong in respect of 17,500 Shares held by him, the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

(ii) save as disclosed in the section 5.7 headed "Interests of the IFAs in the Shares" and section 5.8 headed "Dealings in the Shares by the IFAs" in this Appendix above, no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of "associate" under the HK Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares;

(iii) save for the Sale and Purchase Agreement dated 14 August 2015 pursuant to which New Page, Mr. Yu and Mr. Chow sold an aggregate of 93,723,437 shares to the Offeror, being a company wholly owned by Mr. Zhu Jun, an executive Director, at an aggregate consideration of HK$351,931,505.93, the purchase of 400,000 Shares at a price of HK$3.54 per Share and 300,000 Shares at a price of HK$3.56 per Share by Mr. Zhu Jun on 25 September 2015 and save as disclosed in the section 6.6 headed "Acceptance of Shares under the Offer" in this Appendix, no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the HK Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the HK

Takeovers Code had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares; and

(iv) save as disclosed in the section 5.7 headed "Interests of the IFAs in the Shares" and section 5.8 headed "Dealings in the Shares by the IFAs" in this Appendix above, no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

**6.4. Dealings in Securities of the Offeror**

During the Relevant Period, save for Mr. Zhu Jun's subscription of 50,000 ordinary shares in the Offeror of US$1.00 each on 14 August 2015, neither the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

**6.5. Other Disclosures of Interests**

As at the Latest Practicable Date,

(a) save that Mr. Zhu Jun, an executive Director, is the sole shareholder of the Offeror, neither the Company, any member of the Group nor any of the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;

(b) save as disclosed in the section 5.7 headed "Interests of the IFAs in the Shares" and section 5.8 headed "Dealings in the Shares by the IFAs" in this Appendix above, no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of "associate" under the HK Takeovers Code;

(c) save for the Sale and Purchase Agreement and the Escrow Agreement, no arrangement of the kind referred to in Note 8 to Rule 22 of the HK Takeovers Code exists between a person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the HK Takeovers Code. Save for the 97,053,002 Shares and 700,000 Shares in which the Offeror and Mr. Zhu Jun respectively are interested, no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the HK Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under HK Takeovers Code, owned or controlled Shares or any convertible securities, warrants, options or derivatives issued by the Company;

(d) save as disclosed in the section 5.7 headed "Interests of the IFAs in the Shares" and section 5.8 headed "Dealings in the Shares by the IFAs" in this Appendix above, no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;

(e) there was no irrevocable commitment to accept or reject the Offer which had been received by the Offeror and Mr. Foo Teck Leong, an independent non-executive Director and the beneficial owner of 17,500 shares, intended to accept the Offer and has accepted the Offer in respect of all the Shares held by him;

(f) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;

(g) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(h) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(i) save for the Sale and Purchase Agreement, the Escrow Agreement, the Tax Indemnity (as defined in paragraph 9.1 in this Appendix), no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

**6.6 Acceptance of Shares under the Offer**

As at the Latest Practicable Date, the Offeror (a company wholly-owned by Mr. Zhu Jun) received the acceptances of the following number of Shares under the Offer:

| Date | Number of Shares | Price per Share |
|---|---:|---:|
| 30 October 2015 | 999,500 | HK$3.755 |
| 3 November 2015 | 1,007,588 | HK$3.755 |
| 4 November 2015 | 160,651 | HK$3.755 |
| 5 November 2015 | 305,149 | HK$3.755 |
| 6 November 2015 | 680,152 | HK$3.755 |
| 9 November 2015 | 176,525 | HK$3.755 |

## 7. ARRANGEMENTS WITH DIRECTORS

### 7.1. Directors' Service Contracts under the Singapore Takeover Code

On 30 October 2015, Mr. Zhu Jun, the Executive Chairman and an executive Director, entered into an executive director service agreement with the Company for a term of three years from 30 October 2015 to 29 October 2018 unless terminated before that expiry of the term by either party by giving the other party three months' written notice or payment or wages in lieu of notice in accordance with the terms of the service agreement. His aggregate salary and director's fee is HK$12 per annum, subject to adjustments from time to time as agreed by the parties. The Company may in its absolute discretion from time to time pay Mr. Zhu Jun discretionary compensation or bonus of such amount (if any) as it may determine.

On 30 October 2015, Ms. Wang Jianqiao, an executive Director, entered into an executive director service agreement with the Company for a term of three years from 30 October 2015 to 29 October 2018 unless terminated before that expiry of the term by either party by giving the other party three months' written notice or payment or wages in lieu of notice in accordance with the terms of the service agreement. Her aggregate salary and director's fee is HK$1,800,000 per annum, subject to adjustments from time to time as agreed by the parties. The Company may in its absolute discretion from time to time pay Ms. Wang Jianqiao discretionary compensation or bonus of such amount (if any) as it may determine.

As at the Latest Practicable Date:

(a) there are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the Company within the next 12 months without paying any compensation; and

(b) there are no such contracts entered into or amended during the period between the start of the 6 months preceding the Joint Announcement Date and the Latest Practicable Date.

### 7.2. Directors' Service Contracts under HK Takeovers Code

On 30 October 2015, Mr. Zhu Jun, the Executive Chairman and an executive Director, entered into an executive director service agreement with the Company for a term of three years from 30 October 2015 to 29 October 2018 unless terminated before that expiry of the term by either party by giving the other party three months' written notice or payment or wages in lieu of notice in accordance with the terms of the service agreement. His aggregate salary and director's fee is HK$12 per annum, subject to adjustments from time to time as agreed by the parties. The Company may in its absolute discretion from time to time pay Mr. Zhu Jun discretionary compensation or bonus of such amount (if any) as it may determine.

On 30 October 2015, Ms. Wang Jianqiao, an executive Director, entered into an executive director service agreement with the Company for a term of three years from 30 October 2015 to 29 October 2018 unless terminated before that expiry of the term by either party by giving the other party three months' written notice or payment or wages in lieu of notice in accordance with the terms of the service agreement. Her aggregate salary and director's fee is HK$1,800,000 per annum, subject to adjustments from time to time as agreed by the parties. The Company may in its absolute discretion from time to time pay Ms. Wang Jianqiao discretionary compensation or bonus of such amount (if any) as it may determine.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Group:

(a) which (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period;

(b) which are continuous contracts with a notice period of 12 months or more; or

(c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

**7.3. Arrangements affecting Directors under Singapore Takeover Code**

As at the Latest Practicable Date, save as disclosed in this Circular:

(a) it is not proposed that any payment or other benefit shall be made or given to any Director, or any director of any other corporation which is, by virtue of Section 6 of the Singapore Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

(c) save for the Sale and Purchase Agreement, the Escrow Agreement and the Tax Indemnity, none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

## 8. VIEWS OF THE BOARD ON THE OFFEROR'S INTENTIONS FOR THE GROUP AND ITS EMPLOYEES

The Board refers Shareholders to the reasons for the Offer and the Offeror's intentions for the Company and its employees as reproduced from the Offer Document in **Section 5 in the Letter from the Board to the Shareholders** of this Circular. The Board is willing to render reasonable co-operation with the Offeror to implement the said intentions which is in the interests of the Company and the Shareholders as a whole.

## 9. MATERIAL CONTRACTS

### 9.1. Disclosure under Singapore Takeover Code:

Save as disclosed in publicly available information on the Company and in this Circular, neither the Company nor its subsidiaries has entered into any material contract (other than in the ordinary course of business) with interested persons during the period commencing 3 years prior to the commencement of the Offer Period and ending on the Latest Practicable Date.

An "interested person", as defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, means:

(a) a director, chief executive officer, or Substantial Shareholder of the Company;

(b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the Company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company and his/her immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company and his/her immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of a Substantial Shareholder (being a company); or

(f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

For the purpose of this section 9.1, "Substantial Shareholder" shall mean a person (including a corporation) who has an interest in not less than 5% of the total issued voting Shares.

Apart from the Sale and Purchase Agreement and the Escrow Agreement as disclosed in this Circular, the details of the following material contracts entered into with interested persons are as follows:

(i) A loan agreement dated 4 November 2015 entered into between New Page as lender and Novo Commodities Limited, a wholly-owned subsidiary of the Company, as borrower for an amount not exceeding HK$10,000,000, for a period of 3 months and free from interest;

(ii) A loan agreement dated 3 November 2015 entered into between New Page as lender and Novo Overseas Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, as borrower for an amount not exceeding HK$9,900,000, for a period of 3 months and free from interest;

(iii) A loan repayment agreement dated 9 October 2015 entered into between New Page, Mr. Chow and Novo Commodities Limited, relating to the repayment of loans previously extended to Novo Commodities Limited by Mr. Chow;

(iv) A deed of tax indemnity dated 2 October 2015 ("**Tax Indemnity**") entered into by and among the Company, the Vendors and the Offeror in connection with the Sale and Purchase Agreement, relating to the Vendor's covenant to indemnify the Offeror and the Company for tax and other costs;

(v) A loan agreement dated 30 September 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for an amount not exceeding HK$3,500,000, for a period of 3 months and free from interest;

(vi) A loan agreement dated 7 September 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for an amount not exceeding HK$4,000,000, for a period of 3 months and free from interest;

(vii) A loan agreement dated 26 August 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for an amount not exceeding US$1,000,000, for a period of 3 months and free from interest;

(viii) A loan agreement dated 21 August 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for an amount not exceeding US$1,000,000, for a period of 3 months and free from interest;

(ix) A tenancy agreement dated 27 July 2015 entered into between Jackful Investment Limited[1] as landlord and Novo Management Services Limited, a wholly-owned subsidiary of the Company as tenant, for the amount of HK$81,000 per month, for the period starting on 1 August 2015 and ending on 31 July 2017;

(x) A loan agreement dated 18 May 2015 entered into between Mr. Chow as lender and Novo Commodities Limited as borrower for an amount not exceeding US$260,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xi) A loan agreement dated 12 May 2015 entered into between Mr. Chow as lender and Novo Commodities Limited as borrower for an amount not exceeding HK$4,500,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xii) A loan agreement dated 11 May 2015 entered into between Mr. Chow as lender and Novo Commodities Limited as borrower for an amount not exceeding US$200,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xiii) A loan agreement dated 16 April 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for an amount not exceeding US$1,950,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xiv) A loan agreement dated 20 March 2015 entered into between Mr. Chow as lender and Novo Commodities Limited as borrower for an amount not exceeding US$289,715, for a period of 3 months and with an interest rate of 0.7% per month;

(xv) A loan agreement dated 4 March 2015 entered into between Mr. Chow as lender and Novo Commodities Limited as borrower for an amount not exceeding HK$1,110,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xvi) A loan agreement dated 4 March 2015 entered into between Mr. Chow as lender and Novo Commodities Limited as borrower for an amount not exceeding US$345,000, for a period of 3 months and with an interest rate of 0.7% per month;

1 Mr. Yu has since sold his shares in Jackful Investment Limited, and as at the Latest Practicable Date, he does not hold any shares in Jackful Investment Limited.

(xvii) A loan agreement dated 8 February 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for the amount of HK$12,400,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xviii) A loan agreement dated 4 February 2015 entered into between New Page as lender and Novo Commodities Limited as borrower for the amount of HK$12,800,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xix) A framework shareholders' loan agreement dated 4 February 2015 entered into between New Page and the Company pursuant to which New Page agrees to provide loan to the Company and its subsidiaries an aggregate principal amount not exceeding US$5,000,000, with an interest rate of 0.7% per month and with a three-month loan period;

(xx) A loan agreement dated 3 February 2015 entered into between Cafes Do Brasil Limited (a company indirectly owned as to 70% by Mr. Yu and 30% by Mr. Chow) as lender and Novo Commodities Limited as borrower for the amount of US$150,000, for a period of 3 months and with an interest rate of 0.7% per month;

(xxi) A framework shareholders' loan agreement dated 3 February 2015 entered into between Mr. Yu, Mr. Chow and the Company, which governs the terms of any loan agreements provided by Mr. Yu, Mr. Chow and any entity which Mr. Yu and Mr. Chow own as to 70% and 30% respectively, to the Company and its subsidiaries, which terms shall be for an aggregate principal amount not exceeding US$5,000,000, with an interest rate of 0.7% per month and with a three-month loan period; and

(xxii) A tenancy agreement dated 20 May 2013 entered into between Jackful Investment Limited as landlord and Novo Commodities Limited as tenant for the amount of HK$76,200 per month, for the period starting on 1 June 2013 and ended on 31 May 2015.

**9.2. Disclosure under HK Takeovers Code:**

The documents (i) to (xxi) set out in the above section headed "9 Material Contracts – 9.1 Disclosure under Singapore Takeover Code" were the contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, entered into by members of the Group within two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date which were or might be material.

## 10. MATERIAL LITIGATION

As at the Latest Practicable Date:

(a) no member of the Group is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of any member of the Group, taken as a whole; and

(b) the Directors are not aware of any litigation, claim or proceeding pending or threatened against any member of the Group or to which any member of the Group may become a party or of any fact likely to give rise to any litigation, claims or proceeding which might materially and adversely affect the financial position of any member of the Group.

## 11. GENERAL INFORMATION

**(a) Costs and Expenses.** All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

**(b) Qualification and Consent of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this Circular:

| Name | Qualification |
|---|---|
| CIMB | licensed under the Banking Act (Cap. 19) of Singapore and exempted under Section 99(1) of the Securities and Futures Act (Cap. 289) of Singapore from the requirement to hold a capital market services licence to carry on business in any regulated activity (including advising on corporate finance) |
| Investec | a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| Roma Appraisals Limited | independent property valuer |

Each of CIMB, Investec and Roma Appraisals Limited has given and confirmed that it has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter, advice and/or report, and the references to its name in the form and context in which they appear.

As at the Latest Practicable Date, save as disclosed in this Circular (particularly in sections 5.7 and 5.8 of this Appendix headed "Interests of the IFAs in the Shares" and "Dealings in the Shares by the IFAs") none of CIMB, Investec and Roma Appraisals Limited had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, save as disclosed in this Circular, none of CIMB, Investec and Roma Appraisals Limited had any direct or indirect interest in any assets which have been, since FY 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**(c) Miscellaneous**

The English text of this Circular prevails over the Chinese text in case of inconsistency.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (http://www.novogroupltd.com); (ii) on the website of the SFC (http://www.sfc.hk); (iii) at the registered office of the Company at 24 Raffles Place #10-05 Clifford Centre Singapore 048621; and (iv) during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal office of the Company in Hong Kong at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong during normal business hours for the period during which the Offer remains open for acceptances:

(a) the Memorandum and Articles of the Company;

(b) the annual reports of the Company for FY2013, FY2014 and FY2015;

(c) the letter from the Board to Shareholders, the text of which is set out on pages 13 to 32 of this Circular;

(d) the letter from the Independent Board Committee to Shareholders, the text of which is set out on pages 33 to 34 of this Circular;

(e) the IFA (SG) Letter;

(f) the IFA (HK) Letter;

(g) the letters of consent as referred to in **paragraph 11(b)** above;

(h) the material contracts referred to in section 9 headed "Material Contracts" in this Appendix;

(i) the Sale and Purchase Agreement;

(j) the Escrow Agreement;

(k) the service agreements referred to in paragraph 7.2 headed "Directors' Service Contracts under HK Takeovers Code" in section 7 headed "Arrangement with Directors" in this Appendix;

(l) the letter from IFA (SG) in relation to the unaudited financial statements of the Group for the three months ended 31 July 2015 as set out in Appendix V to this circular; and

(m) the letter, summary of values and valuation certificates from Roma Appraisals Limited as set out in Appendix VI to this circular.

The provisions in the Articles of Association relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below:

## ISSUE OF SHARES

4. (A) Subject to the Statutes and these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner and redemption being determined by the Directors, Provided always that:–

   (a) except in the case of an issue made on a pro rata basis to members or a share option scheme or share scheme approved by the Company, no director shall participate in any issue of shares or convertible securities unless the Company in General Meeting shall have approved the specific allotment;

   (b) no shares shall be issued to transfer a controlling interest in the Company without the specific prior approval of the Company in General Meeting;

   (c) that the total number of issued preference shares shall not at any time exceed the total number of the issued ordinary shares issued for the time being.

   Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in General Meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all members alike.

   (B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

(C) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.

5. (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the Singapore Exchange Securities Trading Limited's listing rules, all new shares shall before issue be offered to such persons as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

(B) The Company may, notwithstanding Article 5(A) above, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.

(C) Notwithstanding Article 5(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force, Provided that:–

(1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited;

(2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Singapore Exchange Securities Trading Limited) and these presents; and

(3) (unless revoked or varied by the Company in General Meeting), the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

6. Unless otherwise specified or restricted by law, the Company may pay commissions or brokerage on any issue or purchase of its shares, or sale, disposal or transfer of treasury shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

8. (A) Preference shares may be issued subject to such limitations thereof as may be prescribed by the Designated Stock Exchange and the rights attaching to shares other than ordinary shares shall be expressed in the Memorandum of Association or these presents. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and

preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

(C) Except as allowed by the Statutes and subject further to compliance with the rules and regulations of the Designated Stock Exchange and any other relevant regulatory authority, the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(D) The Board may, subject to what is allowed by the Statutes, issue warrants to subscribe for any class of Shares or other securities of the Company and such warrants may be issued on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

(E) No Shares shall be issued to bearer.

**VARIATION OF RIGHTS**

9. (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meeting of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided

Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

(B) The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

(C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respect pari passu therewith but in no respect in priority thereto.

**ALTERATION OF SHARE CAPITAL**

11. The Company may by Ordinary Resolution alter its share capital in the manner permitted under the Act including without limitation:–

(a) consolidate and divide all or any of its shares;

(b) cancel the number of shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited, and diminish its share capital in accordance with the Act;

(c) sub-divide its shares, or any of them, provided always that in such subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(d) subject to the provisions of the Statutes and these presents, convert any class of shares into any other class of shares; and /or

(e) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in General Meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting".

12. (A) Subject to a special resolution being passed by the shareholders of the Company in General Meeting and court approval being obtained if so required by law, the Company may reduce its share capital or any undistributable reserve.

(B) The Company may, subject to and in accordance with the Act and any other relevant legislation, rules or regulations enacted or prescribed by any relevant authority from time to time, purchase or otherwise acquire ordinary shares (which expression as used in this Article includes redeemable Shares) in the issued share capital of the Company out of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for the purposes of such purchases or acquisition on such terms and in such manner as the Company may from time to time think fit. Upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. All shares purchased by the Company shall, unless held in treasury shares in accordance with the Act, be deemed cancelled immediately on purchase or acquisition by the Company. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

## SHARE CERTIFICATES

13. (A) Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class.

(B) The provisions in this Article and in Articles 14 to 17 (so far as they are applicable) shall not apply to transfer of book-entry securities.

14. (A) The Company shall not be bound to register more than four persons as joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased member.

(B) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.

15. Every person whose name is entered as a member in the Register of Members shall (in the case of a transfer of shares) be entitled within fifteen market days after the date of lodgement of any transfer, or (subject to the provisions of the Statutes) such longer period of time as may be approved by the Designated Stock Exchange, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

16. (A) Where a member transfers part only of the shares comprised in a certificate or where a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the member shall pay (in the case of sub-division) a maximum fee of S$2.00 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.

(B) Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.

17. Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S$2.00 (or such other fee as the Director may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange). the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss. Where share warrants have been issued, no new share warrant shall be issued to replace one that has been lost unless the Directors are satisfied beyond reasonable doubt that the original has been destroyed.

## CALLS ON SHARES

18. The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.

19. Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

20. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.

21. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

22. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

23. The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. The Board may at any time repay the amount so advanced upon giving to such member not less than one month's notice of its intention in that regard unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profit.

**FORFEITURE AND LIEN**

24. If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

25. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.

26. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.

27. A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.

28. A member whose shares have been made forfeit or surrendered shall cease to be a member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

29. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys called or payable at a fixed time in respect of such share and for all moneys as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

30. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

31. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale the Directors may authorize some person to transfer the shares sold to the purchaser.

32. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

## TRANSFER OF SHARES

33. All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit. If the transferor or transferee is a clearing house or its nominee(s), an instrument of transfer can be signed by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

33A. Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefore, be entitled in its absolute discretion to give or withhold), no shares upon the Register of Members shall be transferred to any branch Register of Members nor shall shares on any branch Register of Members be transferred to the Register of Members or any other branch Register of Members and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the Register of Members, at the office or such other place at which the Register of Members is kept in accordance with the Statutes.

33B. (A) (1) The Company shall keep in one or more books a Register of Members and shall enter therein the following particulars, that is to say:

(a) the name and address of each member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;

(b) the date on which each person was entered in the Register; and

(c) the date on which any person ceased to be a member.

(2) The Company may keep an overseas or local or other branch register of members resident in any place, and the Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a registration office (the "Registration Office") in connection therewith.

(B) The Register of Members and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by members without charge or by any other person, upon a maximum payment of S$2.50 or such lesser sum specified by the Board, at the Office or such other place at which the Register of Members is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of S$1.00 or such lesser sum specified by the Board at the Registration Office. The Register of Members including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

(C) Notwithstanding any other provision of these Articles, but subject to the rules of the Designated Stock Exchange and the Act, the Company or the Directors may fix any date as the record date for:

(a) determining the members entitled to receive any dividend, distribution, allotment or issue; and

(b) determining the members entitled to receive notice of and to vote at any General Meeting of the Company.

34. The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, by the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.

35. (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) which shall also be free from all lien but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

(B) The Directors may decline to register any instrument of transfer unless:–

(a) such fee not exceeding S$2.00 as the Directors may from time to time require and in any event not exceeding the maximum fees prescribed by the Designated Stock Exchange is paid to the Company in respect thereof.

(b) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(c) the instrument of transfer is in respect of only one class of shares.

36. All instruments of transfer which are registered may be retained by the Company.

37. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:–

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and

(c) references herein to the destruction of any document include references to the disposal thereof in any manner.

## TRANSMISSION OF SHARES

38. (A) In case of the death of a member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sale or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing herein contained shall release the estate of a deceased holder (whether sale or joint) from any liability in respect of any share held by him.

39. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer executed by such member.

40. Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share in consequence of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in respect of the share.

41. There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S$2.00 as the Directors may from time to time require or prescribe.

**CENTRAL DEPOSITORY SYSTEM**

42. A reference to a member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP or a clearing house (as the case may be), the Depositors on behalf of whom CDP or a clearing house (as the case may be) holds the shares, Provided that:–

(a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP or a clearing house (as the case may be) forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP or a clearing house (as the case may be) holds shares in the Company, the

Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP or a clearing house (as the case may be) as supplied by CDP or a clearing house (as the case may be) to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;

(b) the payment by the Company to CDP or a clearing house (as the case may be) of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;

(c) the delivery by the Company to CDP or a clearing house (as the case may be) of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and

(d) the provisions in these presents relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

**EXCLUSION OF EQUITIES**

43. Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or a clearing house or to Depositors or in any depository agreement (as the case may be) made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

## STOCK

44. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.

45. The holders of stock may transfer the same or any part thereof in the same manner and subject to these present as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

46. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by any such number of stock units which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

## GENERAL MEETINGS

47. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.

48. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

## NOTICE OF GENERAL MEETINGS

49. Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one clear business days' notice in writing at the least and any other Extraordinary General Meeting, by fourteen clear business days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in manner hereinafter mentioned to all members other than such as are not under the provisions of these presents and the Act entitled to receive such notices from the Company; Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:–

(a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all members having a right to vote at that meeting,

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen clear business days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Annual General Meeting or any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one clear business days' notice in writing of such Annual General Meeting or Extraordinary General Meeting shall be given to the Designated Stock Exchange.

50. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

(D) The notice shall disclose any material interests of any director in the matter dealt with by the resolution insofar as the resolution affects that interest differently from the interests of other members of the Company.

51. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:–

(a) declaring dividends:

(b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);

(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and

(f) fixing the Directors fees.

52. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

**PROCEEDINGS AT GENERAL MEETINGS**

53. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

54. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy. For the purpose of this Article, "member" includes a person attending by proxy or by attorney or as representing a corporation which is a member. Provided that (i) a proxy representing more than one member shall only count as one member for the purpose of determining the quorum; and (ii) where a member is represented by more than one proxy such proxies shall count as only one member for purposes of determining the quorum.

55. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.

56. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned *sine die*, the time and place for the

adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

57. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

58. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

59. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange or a poll is (before or on the declaration of the result of the show of hands) demanded by:–

(a) the chairman of the General Meeting; or

(b) not less than five (5) members present in person or by proxy and entitled to vote at the General meeting; or

(c) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the General Meeting; or

(d) a member or members present in person or by proxy and holding or representing shares in the Company conferring a right to vote at the General Meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares (excluding treasury shares) conferring that right,

Provided Always that no poll shall be demanded on the choice of the chairman or on question of adjournment.

60. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may

(and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

61. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

62. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman of the meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

**VOTES OF MEMBERS**

63. Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, on a show of hands every member who is present in person or by proxy shall have one vote, the chairman of the meeting to determine which proxy shall be entitled to vote where a member is represented by two or more proxies, and on a poll by every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a member, or attend, vote or act at any meeting of the Company.

64. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.

65. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.

66. No member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

66A. Where the Company has knowledge that any member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

67. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

68. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

69. (A) A member shall be entitled to appoint more than one proxy to attend and vote at the same General Meeting. However, if the member is a Depositor, the Company shall be entitled and bound:–

(a) to reject any instrument of proxy lodged by the Depositor if it is not shown in the Depository Register as certified by CDP or a clearing house (as the case may be) to the Company that there are any shares entered against such Depositor's name, as at 48 hours before the time of the relevant General Meeting; and

(b) to accept as the number of shares entered against the name of that Depositor in the Depository Register as certified by CDP or a clearing house (as the case may be) to the Company 48 hours before the time of the relevant General Meeting as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll, regardless of whether such number is greater or smaller than the number specified in the instrument of proxy lodged by that Depositor.

(B) Where a member appoints more than one proxy, the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(C) A proxy need not be a member of the Company.

70. (A) An instrument appointing a proxy for any member shall be in writing in any usual or common form or in any other form which the Directors may approve (provided that this shall not preclude the use of the two-way form) and:–

(a) in the case of an individual member, shall be signed by the member or his attorney duly authorized in writing; and

(b) in the case of a member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorized in writing or a duly authorized officer of the corporation.

(B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.

71, An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

72. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the meeting.

73. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

## CORPORATIONS ACTING BY REPRESENTATIVES

74. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorized is present thereat.

74A. If a clearing house (or its nominee(s)), being a corporation, is a member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

## RESERVES

122. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

## DIVIDENDS

123. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

124. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates

on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

125. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:–

(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid under any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

126. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. Any dividend unclaimed after six (6) years from the date of declaration shall be made forfeit and revert to the Company.

127. No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

128. (A) The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

129. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution, provided that the

amount of its net assets shall not be less than the aggregate of its called up share capital and undistributable reserves; and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

131. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

132. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

133. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

## BONUS ISSUE AND CAPITALIZATION OF PROFITS AND RESERVES

134. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company:–

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as the holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(C)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

(b) capitalize any sum standing to the credit of any of the Company's reserve accounts as representing profits available for distribution under the provisions of the Statutes by appropriating such sum to the persons registered as the holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(C)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares or (subject to any special rights previously conferred on any shares or class of shares for the time being issued) unissued shares of any other class not being redeemable shares), for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

(B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalization under Article 135(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorize any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

## 1. SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group:

### Consolidated statements of comprehensive income

| RESULTS | For the first quarter ended 31 July 2015 (unaudited) *US$* | FY2015 (audited) *US$* | FY2014 (audited) *US$* | FY2013 (audited) *US$* |
|---|---|---|---|---|
| Revenue | 22,895 | 248,562,084 | 272,998,225 | 284,203,142 |
| Cost of sales | (22,933) | (251,762,403) | (268,303,735) | (270,726,202) |
| Gross (loss)/profit | (38) | (3,200,319) | 4,694,490 | 13,476,940 |
| Other income | 963 | 2,222,481 | 3,326,690 | 2,509,388 |
| Distribution and selling expenses | (571) | (4,169,076) | (6,143,437) | (11,325,612) |
| Administrative expenses | (2,792) | (8,936,328) | (9,029,257) | (7,460,779) |
| Other expenses | – | (3,199,755) | (1,962,269) | (2,612,613) |
| Finance costs | (921) | (7,332,795) | (5,291,924) | (923,580) |
| Loss before tax | (3,359) | (24,615,792) | (14,405,707) | (6,336,256) |
| Income tax expenses | (6) | (130,950) | (44,695) | (21,272) |
| Loss for the period | (3,365) | (24,746,742) | (14,450,402) | (6,357,528) |
| Attributable to: | | | | |
| Owners of the Company | (3,166) | (22,103,599) | (13,273,331) | (5,578,029) |
| Non-controlling interests | (199) | (2,643,143) | (1,177,071) | (779,499) |
| Loss per share (in US cents) | | | | |
| Basic | (1.85) | (12.94) | (7.77) | (3.27) |
| Diluted | (1.85) | (12.94) | (7.77) | (3.27) |
| Other comprehensive (loss)/ income: | | | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | (51) | 208,431 | 271,149 | 293,706 |
| Other comprehensive income for the period, net of tax | (51) | 208,431 | 271,149 | 293,706 |
| Total comprehensive loss for the period attributable to: | (3,416) | (24,538,311) | (14,179,253) | (6,063,822) |
| Owners of the Company | (3,214) | (21,922,044) | (13,051,458) | (5,314,888) |
| Non-controlling interests | (202) | (2,616,267) | (1,127,795) | (748,934) |
| Dividends | – | – | – | – |

*Notes:*

1. No dividends were paid for FY2013, FY2014 and FY2015 and for the first quarter ended 31 July 2015 except that final dividend in the sum of 1.0 Singapore cent per Share was declared for FY2013 and paid in FY2014.

2. There were neither extraordinary nor exceptional items recorded for FY2013, FY2014 and FY2015 and for the first quarter ended 31 July 2015.

3. The auditor of the Company did not express an opinion on the financial statements of the Group for FY2015, details of which are disclosed in the section headed "3. Audited Financial Information of the Group for FY2015" in this appendix. The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for FY2014 and FY2013.

## 2. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR FY2014

The following is the full text of the audited consolidated financial statements of the Group for FY2014 as extracted from the annual report of the Company for FY2014:

### INDEPENDENT AUDITOR'S REPORT

**Independent Auditor's Report to the Members of Novo Group Ltd.**
(Incorporated in Singapore)

**Report on the Financial Statements**

We have audited the accompanying financial statements of NOVO GROUP LTD. (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 57 to 132, which comprise the statements of financial position of the Group and Company as at 30 April 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 30 April 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

**Emphasis of Matter**

We draw attention to Note 2(a) to the financial statements with respect to the Group's ability to continue as a going concern. The Group incurred a net loss of US$14,450,402 (2013: US$6,357,528) during the financial year ended 30 April 2014 and as at that date, the Group's current liabilities exceeded its current assets by US$37,178,442. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the financial statements. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. Our opinion is not modified in respect of this matter.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**Baker Tilly TFW LLP**
*Public Accountants and*
*Chartered Accountants*
Singapore

24 July 2014

## CONSOLIDATED INCOME STATEMENT
*For the Financial Year Ended 30 April 2014*

| | Note | 2014<br>US$ | 2013<br>US$ |
|---|---|---|---|
| **Revenue** | 5 | 272,998,225 | 284,203,142 |
| Cost of sales | | (268,303,735) | (270,726,202) |
| Gross profit | | 4,694,490 | 13,476,940 |
| Other income | 6 | 3,326,690 | 2,509,388 |
| Distribution and selling expenses | 7 | (6,143,437) | (11,325,612) |
| Administrative expenses | | (9,029,257) | (7,460,779) |
| Other expenses | | (1,962,269) | (2,612,613) |
| Finance costs | 8 | (5,291,924) | (923,580) |
| **Loss before tax** | 9 | (14,405,707) | (6,336,256) |
| Income tax expenses | 11 | (44,695) | (21,272) |
| **Loss for the financial year** | | (14,450,402) | (6,357,528) |
| **Attributable to:** | | | |
| Owners of the Company | 12 | (13,273,331) | (5,578,029) |
| Non-controlling interests | | (1,177,071) | (779,499) |
| | | (14,450,402) | (6,357,528) |
| **Loss per share (in US cents)** | | | |
| – Basic | 13 | (7.77) | (3.27) |
| – Diluted | 13 | (7.77) | (3.27) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the Financial Year Ended 30 April 2014*

| | **2014** | **2013** |
|---|---|---|
| | *US$* | *US$* |
| **Loss for the financial year** | (14,450,402) | (6,357,528) |
| **Other comprehensive income:** | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | 271,149 | 293,706 |
| Other comprehensive income for the financial year, net of tax | 271,149 | 293,706 |
| **Total comprehensive expenses for the financial year** | (14,179,253) | (6,063,822) |
| **Attributable to:** | | |
| Owners of the Company | (13,051,458) | (5,314,888) |
| Non-controlling interests | (1,127,795) | (748,934) |
| | (14,179,253) | (6,063,822) |

## STATEMENTS OF FINANCIAL POSITION

*As at 30 April 2014*

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | | **30.4.2014** | **30.4.2013** | **1.5.2012** | **30.4.2014** | **30.4.2013** |
| | *Note* | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | (restated) | (restated) | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 14 | 73,268,248 | 46,557,865 | 16,649,011 | – | – |
| Land use rights | 15 | 6,133,301 | 3,090,848 | 3,128,530 | – | – |
| Goodwill arising on business combinations | 16 | 3,971 | 98,126 | – | – | – |
| Investments in associated companies | 17 | – | – | 588,492 | – | – |
| Investments in subsidiaries | 18 | – | – | – | 79,460,123 | 79,588,337 |
| | | 79,405,520 | 49,746,839 | 20,366,033 | 79,460,123 | 79,588,337 |
| **Current assets** | | | | | | |
| Inventories | 19 | 16,570,819 | 24,830,931 | 13,664,774 | – | – |
| Derivative financial instruments | 20 | – | – | 261,559 | – | – |
| Trade and other receivables | 21 | 40,003,823 | 54,987,754 | 41,918,043 | 41,270,813 | 34,466,965 |
| Tax recoverable | | – | 5,808 | 45,432 | – | – |
| Cash and cash equivalents | 22 | 46,821,487 | 19,149,974 | 27,554,890 | 114,939 | 68,036 |
| | | 103,396,129 | 98,974,467 | 83,444,698 | 41,385,752 | 34,535,001 |
| **Total assets** | | 182,801,649 | 148,721,306 | 103,810,731 | 120,845,875 | 114,123,338 |
| **Non-current liabilities** | | | | | | |
| Borrowings | 23 | – | 18,650,000 | 5,000,000 | – | – |
| Deferred income | 24 | 1,310,604 | 183,744 | 186,059 | – | – |
| | | 1,310,604 | 18,833,744 | 5,186,059 | – | – |
| **Current liabilities** | | | | | | |
| Trade and other payables | 25 | 71,729,511 | 32,628,480 | 28,424,366 | 8,911,210 | 303,029 |
| Derivative financial instruments | 20 | 37,028 | – | 254,438 | – | – |
| Borrowings | 23 | 68,480,285 | 45,492,050 | 11,550,981 | – | – |
| Deferred income | 24 | 294,386 | 4,046 | 4,008 | – | – |
| Tax payable | | 33,361 | 5,722 | 6,925 | – | – |
| | | 140,574,571 | 78,130,298 | 40,240,718 | 8,911,210 | 303,029 |
| **Total liabilities** | | 141,885,175 | 96,964,042 | 45,426,777 | 8,911,210 | 303,029 |
| **Net assets** | | 40,916,474 | 51,757,264 | 58,383,954 | 111,934,665 | 113,820,309 |

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | | 30.4.2014 | 30.4.2013 | 1.5.2012 | 30.4.2014 | 30.4.2013 |
| | *Note* | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | (restated) | (restated) | | |
| **Equity** | | | | | | |
| Share capital | *26* | 32,238,531 | 32,238,531 | 32,238,531 | 108,739,451 | 108,739,451 |
| (Accumulated losses)/retained earnings | | (190,481) | 14,306,837 | 21,307,450 | 594,253 | 2,479,897 |
| Foreign currency translation reserve | | 1,257,531 | 1,035,658 | 772,517 | – | – |
| Statutory reserve | *27* | 33,481 | 33,481 | – | – | – |
| Other reserves | *28* | 2,680,278 | 2,600,961 | 2,600,961 | 2,600,961 | 2,600,961 |
| Total equity attributable to owners of the Company | | 36,019,340 | 50,215,468 | 56,919,459 | 111,934,665 | 113,820,309 |
| Non-controlling interests | | 4,897,134 | 1,541,796 | 1,464,495 | – | – |
| **Total equity** | | 40,916,474 | 51,757,264 | 58,383,954 | 111,934,665 | 113,820,309 |

## STATEMENTS OF CHANGES IN EQUITY

*For the Financial Year Ended 30 April 2014*

| Group | Note | Share capital US$ | Retained earnings US$ | Foreign currency translation reserve US$ | Statutory reserve US$ | Other reserves US$ | Total equity attributable to owners of the Company US$ | Non-controlling interests US$ | Total equity US$ |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 May 2012 | | 32,238,531 | 21,307,450 | 772,517 | – | 2,600,961 | 56,919,459 | 1,464,495 | 58,383,954 |
| Transfer to statutory reserve | | – | (33,481) | – | 33,481 | – | – | – | – |
| Loss for the financial year | | – | (5,578,029) | – | – | – | (5,578,029) | (779,499) | (6,357,528) |
| *Other comprehensive income* | | | | | | | | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | | – | – | 263,141 | – | – | 263,141 | 30,565 | 293,706 |
| Other comprehensive income for the financial year, net of tax | | – | – | 263,141 | – | – | 263,141 | 30,565 | 293,706 |
| Total comprehensive (expenses)/income for the financial year | | – | (5,578,029) | 263,141 | – | – | (5,314,888) | (748,934) | (6,063,822) |
| *Distributions to owners of the Company* | | | | | | | | | |
| Dividend paid | 29 | – | (1,389,103) | – | – | – | (1,389,103) | – | (1,389,103) |
| Total distributions to owners of the Company | | – | (1,389,103) | – | – | – | (1,389,103) | – | (1,389,103) |
| *Changes in ownership interests in subsidiaries* | | | | | | | | | |
| Capital injection by a non-controlling interest | | – | – | – | – | – | – | 200,000 | 200,000 |
| Acquisition of subsidiaries | | – | – | – | – | – | – | 626,235 | 626,235 |
| Total changes in ownership interests in subsidiaries | | – | – | – | – | – | – | 826,235 | 826,235 |
| Total transactions with owners of the Company recognised directly in equity | | – | (1,389,103) | – | – | – | (1,389,103) | 826,235 | (562,868) |
| Balance at 30 April 2013 | | 32,238,531 | 14,306,837 | 1,035,658 | 33,481 | 2,600,961 | 50,215,468 | 1,541,796 | 51,757,264 |

| Group | Note | Share capital US$ | Retained earnings/ (Accumulated losses) US$ | Foreign currency translation reserve US$ | Statutory reserve US$ | Other reserves US$ | Total equity attributable to owners of the Company US$ | Non-controlling interests US$ | Total equity US$ |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 May 2013 | | 32,238,531 | 14,306,837 | 1,035,658 | 33,481 | 2,600,961 | 50,215,468 | 1,541,796 | 51,757,264 |
| Transfer to other reserves | | – | (79,317) | – | – | 79,317 | – | – | – |
| Loss for the financial year | | – | (13,273,331) | – | – | – | (13,273,331) | (1,177,071) | (14,450,402) |
| *Other comprehensive income* | | | | | | | | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | | – | – | 221,873 | – | – | 221,873 | 49,276 | 271,149 |
| Other comprehensive income for the financial year, net of tax | | – | – | 221,873 | – | – | 221,873 | 49,276 | 271,149 |
| Total comprehensive (expenses)/income for the financial year | | – | (13,273,331) | 221,873 | – | – | (13,051,458) | (1,127,795) | (14,179,253) |
| *Distributions to owners of the Company* | | | | | | | | | |
| Dividend paid | 29 | – | (1,352,590) | – | – | – | (1,352,590) | – | (1,352,590) |
| Total distributions to owners of the Company | | – | (1,352,590) | – | – | – | (1,352,590) | – | (1,352,590) |
| *Changes in ownership interests in subsidiaries* | | | | | | | | | |
| Changes in ownership interest in subsidiaries that do not result in loss of control | 18(b) | – | 207,920 | – | – | – | 207,920 | 4,483,133 | 4,691,053 |
| Total changes in ownership interests in subsidiaries | | – | 207,920 | – | – | – | 207,920 | 4,483,133 | 4,691,053 |
| Total transactions with owners of the Company recognised directly in equity | | – | (1,144,670) | – | – | – | (1,144,670) | 4,483,133 | 3,338,463 |
| Balance at 30 April 2014 | | 32,238,531 | (190,481) | 1,257,531 | 33,481 | 2,680,278 | 36,019,340 | 4,897,134 | 40,916,474 |

| Company | *Note* | **Share capital** *US$* | **Retained earnings** *US$* | **Other reserve** *US$* | **Total equity** *US$* |
|---|---|---|---|---|---|
| Balance at 1 May 2012 | | 108,739,451 | 2,790,922 | 2,600,961 | 114,131,334 |
| Profit for the financial year | | – | 1,078,078 | – | 1,078,078 |
| *Distributions to owners of the Company* | | | | | |
| Dividend paid | *29* | – | (1,389,103) | – | (1,389,103) |
| Total distributions to owners of the Company | | – | (1,389,103) | – | (1,389,103) |
| Total transactions with owners of the Company recognised directly in equity | | – | (1,389,103) | – | (1,389,103) |
| Balance at 30 April 2013 | | 108,739,451 | 2,479,897 | 2,600,961 | 113,820,309 |
| Loss for the financial year | | – | (533,054) | – | (533,054) |
| *Distributions to owners of the Company* | | | | | |
| Dividend paid | *29* | – | (1,352,590) | – | (1,352,590) |
| Total distributions to owners of the Company | | – | (1,352,590) | – | (1,352,590) |
| Total transactions with owners of the Company recognised directly in equity | | – | (1,352,590) | – | (1,352,590) |
| **Balance at 30 April 2014** | | 108,739,451 | 594,253 | 2,600,961 | 111,934,665 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the Financial Year Ended 30 April 2014*

| | Note | 2014<br>US$ | 2013<br>US$<br>(Restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (14,405,707) | (6,336,256) |
| Adjustments for: | | | |
| Amortisation of deferred income | 6 | (174,707) | (3,995) |
| Amortisation of land use rights | 9 | 89,335 | 65,956 |
| Depreciation of property, plant and equipment | 9 | 1,521,052 | 515,707 |
| Fair value loss on derivative financial instruments | 9 | 37,028 | 7,120 |
| Impairment of goodwill | 9 | 94,155 | – |
| Interest expenses | | 4,730,909 | 574,100 |
| Interest income | 6 | (396,420) | (317,706) |
| Loss on disposal of an associated company | 9 | – | 98,492 |
| Loss on disposal of intangible assets | 9 | – | 1,938 |
| Loss on disposal of property, plant and equipment | 9 | 51 | 215,117 |
| Net realised loss on derivative financial instruments | 9 | 195,850 | 170,598 |
| Written down of inventories | 9 | 616,432 | – |
| Written off of amounts due from associated companies | 9 | – | 1,758,554 |
| Written off of inventories | 9 | 277,136 | – |
| Written off of property, plant and equipment | 9 | – | 41,303 |
| Written off of receivables | 9 | 313,733 | 835,477 |
| Operating cash flows before movements in working capital | | (7,101,153) | (2,373,595) |
| Inventories | | 7,366,543 | (11,166,157) |
| Trade and other receivables | | (6,725,627) | (177,029) |
| Trade and other payables | | 45,781,116 | 1,110,540 |
| Currency translation differences | | 3,172 | (234,903) |
| **Cash generated from/(used in) operations** | | 39,324,051 | (12,841,144) |
| Income tax (paid)/refunded, net | | (8,877) | 16,306 |
| Interest income received | | 396,420 | 317,706 |
| **Net cash generated from/(used in) operating activities** | | 39,711,594 | (12,507,132) |
| **Cash flows from investing activities** | | | |
| Acquisition of land use rights | 15 | (3,070,952) | (10,979) |
| Acquisition of subsidiaries, net of cash acquired | | – | 337,624 |
| Net cash paid for realised derivative financial instruments | | (195,850) | (170,598) |
| Proceeds from disposal of an associated company | | – | 490,000 |
| Proceeds from disposal of intangible assets | | – | 18,370 |
| Proceeds from disposal of property, plant and equipment | | 53,462 | 190,772 |
| Purchase of intangible asset | | – | (20,308) |
| Purchase of property, plant and equipment | A | (10,624,261) | (41,304,297) |
| **Net cash used in investing activities** | | (13,837,601) | (40,469,416) |

| | Note | 2014<br>US$ | 2013<br>US$<br>(Restated) |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Capital injection by non-controlling interests | *18(b)* | 4,691,053 | 200,000 |
| Dividend paid | *29* | (1,352,590) | (1,389,103) |
| Drawdown of bank borrowings | | 1,960,000 | 14,445,480 |
| (Increase)/decrease in pledged deposits | | (24,863,491) | 3,074,130 |
| Interest expenses paid | *8* | (5,702,316) | (1,756,690) |
| Net proceeds from short term borrowings | | 5,026,483 | 36,051,078 |
| Repayment of bank borrowings | | (2,834,382) | (3,015,202) |
| **Net cash (used in)/generated from financing activities** | | (23,075,243) | 47,609,693 |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,798,750 | (5,366,855) |
| Cash and cash equivalents at beginning of the financial year | | 9,972,225 | 15,303,011 |
| Effect of currency translation on cash and cash equivalents | | 9,272 | 36,069 |
| **Cash and cash equivalents at end of the financial year** | *22* | 12,780,247 | 9,972,225 |
| **Note A-Purchase of property, plant and equipment ("PPE")** | | | |
| Aggregate cost of PPE acquired | *14* | 27,906,822 | 30,179,374 |
| Less: Finance costs capitalised | *8* | (971,407) | (1,182,590) |
| | | 26,935,415 | 28,996,784 |
| Less: Advance payment for PPE at 1 May | *21* | (22,706,738) | (7,270,968) |
| Add: Advance payment for PPE at 30 April | *21* | 1,310,913 | 22,706,738 |
| Add: Payables for PPE at 1 May | *25* | 10,808,845 | 7,680,588 |
| Less: Payables for PPE at 30 April | *25* | (5,724,174) | (10,808,845) |
| Net cash outflow for purchase of PPE | | 10,624,261 | 41,304,297 |

## NOTES TO THE FINANCIAL STATEMENTS

*For the Financial Year Ended 30 April 2014*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. GENERAL

NOVO GROUP LTD. (the "**Company**") is a limited liability company incorporated in Singapore ("**SG**") on 29 June 1989 under the Companies Act (Chapter 50) of the Singapore (the "**Companies Act**") and its shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited since 28 April 2008 and dual-listed on the Main Board of The Stock Exchange of Hong Kong Limited since 6 December 2010.

The registered office of the Company is at 60 Albert Street, #08-12 OG Albert Complex, Singapore 189969. The headquarter and principal place of business of the Group is at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong ("**HK**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 18.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Going concern

The Group incurred a net loss of US$14,450,402 (2013: US$6,357,528) during the financial year ended 30 April 2014 and as at that date, the Group's current liabilities exceeded its current assets by US$37,178,442. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At 30 April 2014, the Group has breached certain banks' financial covenants as disclosed in Note 23. However, the bank has granted waiver retrospective to its financial year ended 30 April 2014 in relation to the breach of financial covenants subsequent to the reporting period and has not requested for any immediate repayment up to the date of waiver letter, which is 18 July 2014. Due to these breaches of financial covenants, the outstanding non-current bank loan amounting to US$22,750,000 is presented under current liabilities on the statement of financial position as at 30 April 2014.

The financial statements have been prepared on a going concern basis as the Directors are satisfied that:

(i) the continuing financial support from the holding company to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period;

(ii) the banking facilities from its bankers for its working capital requirements for the next twelve months will be available as and when required; and

(iii) the Group is able to generate sufficient cash flows from its operations to meet its current and future obligations.

Management has taken the following measures to improve the Group's operational performance and financial position:

(i) Source for new customers and held discussions with the Group's major customers to seek higher sales volume and negotiate for better prices. Management believes that the selling prices for the Group's products are gradually improving; and

(ii) Continuously seeking improvements in the production efficiency of the Group's production facilities through technological enhancements and system re-engineering in order to further reduce the costs of production.

Subsequent to the end of the reporting period, the Group has also successfully obtained an import and export credit facility of up to US$12 million from a strategic partner to facilitate the working capital requirement of the Group. The strategic partner has agreed for not demanding repayment of this amount within 12 months from the end of reporting period.

After considering the measures taken described above, the Group believes that it has adequate resources to continue its operations as a going concern. For these reasons, the Group continues to adopt the going concern assumption in the preparation of the financial statements.

The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

**(b) Basis of preparation**

The financial statements (expressed in United States Dollars ("**USD**" or "**US$**") which is the Company's functional currency), have been prepared in accordance with the provisions of the Companies Act and Singapore Financial Reporting Standards ("**FRS**"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("**INT FRS**") that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 30 April 2014 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed below.

*FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements*

*FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements are effective for financial periods beginning on or after 1 January 2014.*

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

The Group will apply FRS 110 from 1 May 2014, but this is not expected to have any significant impact on the financial statements of the Group.

*FRS 112 Disclosure of Interests in Other Entities*

*FRS 112 Disclosure of Interests in Other Entities is effective for financial period beginning on or after 1 January 2014.*

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented from 1 May 2014.

**(c) Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

*Sales of goods*

Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

*Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control over another entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**(e) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(g). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the owners of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

**(f) Associated companies**

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

**(g) Goodwill**

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or associated company, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associated company is described in Note 2(f).

**(h) Property, plant and equipment**

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

*Depreciation*

Depreciation is calculated on a straight-line basis to write off the cost of the property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

| | **No. of years** |
|---|---|
| Leasehold land and buildings | 20 to 50 years |
| Plant and machinery | 5 to 35 years |
| Furniture, fixtures and computer equipment | 3 to 20 years |
| Motor vehicles | 5 years |
| Renovation | 5 years |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Properties in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**(i) Land use rights**

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights are amortised on a straight line basis over the remaining years of rights allocated to use the land of 46 to 50 years.

The amortisation period and amortisation method of land use rights are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

**(j) Impairment of non-financial assets excluding goodwill**

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

**(k) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase cost on weighted average basis.

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

**(l) Operating leases**

*(i) When a group entity is the lessee*

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

*(ii) When a group entity is the lessor*

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term.

**(m) Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

**(n) Financial assets**

*(i) Classification*

The Group classifies its financial assets according to the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are fair value through profit or loss and loans and receivables.

*Financial assets, at fair value through profit or loss*

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables (excluding prepayments and advance payments)" and cash and cash equivalents on the statement of financial position.

*(ii) Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

*(iii) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised as expenses.

*(iv) Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial year in which the changes in fair values arise.

Interest income is recognised separately in profit or loss.

**(v) Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

**(o) Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, unsecured demand deposits and fixed deposits which are subject to an insignificant risk of changes in value and excludes pledged cash at bank and fixed deposits.

**(p) Financial liabilities**

Financial liabilities include trade and other payables (excluding sales deposits received), borrowings and derivative financial instruments.

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

**(q) Financial guarantees**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction cost. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

**(r) Derivative financial instruments**

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

**(s) Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**(t) Provisions for liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

**(u) Contingencies**

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statements of financial position of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**(v) Borrowing costs**

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

**(w) Employee benefits**

*Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

*Defined contribution plans*

The Group participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For employees in Singapore, defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

The employees in the People's Republic of China (the "**PRC**") are members of the retirement benefit scheme organised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred.

**(x) Foreign currencies**

*(i) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The financial statements of the Group and the Company are presented in USD, which is the Company's functional currency.

*(ii) Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

*(iii) Translation of Group entities' financial statements*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities are translated at the closing rates at the end of the reporting period;

b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

**(y) Dividend**

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

**(z) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

**(aa) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of operating segments.

**(bb) Related parties**

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosure made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*(i) Depreciation of property, plant and equipment*

Management estimates the useful lives of the Group's property, plant and equipment to be within 3 to 50 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment are based on commercial factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 30 April 2014 was US$73,268,248 (2013: US$46,557,865).

*(ii) Impairment of investments in subsidiaries*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The carrying amount of investments in subsidiaries is disclosed in Note 18.

*(iii) Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and recoverable as at 30 April 2014 was US$33,361 (2013: US$5,722) and US$ Nil (2013: US$5,808), respectively.

## 4. RELATED PARTY TRANSACTIONS

(a) In addition to information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

| | | **Group** | |
|---|---|---|---|
| | | **2014** | **2013** |
| | | *US$* | *US$* |
| Office rental paid to a related party | *(i)* | 117,231 | 117,231 |
| Warehouse rental charges paid to a related party | *(ii)* | – | 52,266 |
| Sales of goods to related parties | *(iii)* | – | 32,352 |
| Purchases of goods from related parties | *(iii)* | – | 32,431 |
| Handling fees charged by a related party | *(iv)* | – | 104,458 |
| Agency fees charged by a related party | *(v)* | – | 123,326 |
| Sales proceeds of property, plant and equipment to related parties | *(vi)* | – | 601 |
| Office rental received from a related party | *(vii)* | – | 31,819 |
| Written off of amount due from a related party | *(viii)* | – | 835,477 |
| Written off of amounts due from associated companies | *(ix)* | – | 1,758,554 |

(i) Office rental expenses paid to a related party, Jackful Investment Limited, on a fixed fee mutually agreed and charged on monthly basis since 2007. Mr. Yu Wing Keung, Dicky (a director of the Company) and his spouse Ms. Ma Sau Ching, Tailianna beneficially owned as to the entire issued share capital of Jackful Investment Limited.

(ii) Warehouse rental charges paid to a related party for leasing warehouses for daily operation of the Group.

(iii) Sales and purchases of goods to and from related parties related to the trading of steel products. All trading transactions are made at similar terms as the Group grants to other independent third parties.

(iv) Handling fees charged by a related party for issuance of sales and purchases contracts.

(v) Agency fees paid to a related party for conducting business activities. The charge rate was approximately US$32 (equivalent to HKD248) per tonne of actual quantity shipped.

(vi) Sales proceeds received from related parties for the disposal of property, plant and equipment. The proceeds were transacted at mutually agreed rates.

(vii) Office rental received from a related party for leasing an office for daily operation of the related party.

(viii) Written off of outstanding balance due from a related party.

(ix) Written off of amounts due from associated companies who had been dissolved during the financial year.

*Note:* Intra-group transactions that have been eliminated in the consolidated financial statements are not disclosed as related party transactions above.

(b) Compensation of directors and key management personnel of the Group:

| | **Group** | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Directors' fee | 92,873 | 93,948 |
| Salaries and bonuses | 1,466,543 | 1,381,203 |
| Contributions to defined contribution plans | 28,294 | 26,177 |
| | 1,587,710 | 1,501,328 |
| Comprise amounts paid to: | | |
| – Directors of the Company | 921,042 | 922,021 |
| – Other key management personnel | 666,668 | 579,307 |
| | 1,587,710 | 1,501,328 |

Further details of the directors' remuneration are included in Note 10.

## 5. REVENUE

| | Group 2014 | Group 2013 |
|---|---|---|
| | *US$* | *US$* (restated) |
| Sales of goods: | | |
| – Sales of iron ore, coal and steel products | 196,770,397 | 274,450,717 |
| – Tinplate manufacturing | 44,151,295 | 9,752,425 |
| – Tinplate processing | 32,076,533 | – |
| | 272,998,225 | 284,203,142 |

## 6. OTHER INCOME

| | Group 2014 | Group 2013 |
|---|---|---|
| | *US$* | *US$* |
| Amortisation of deferred income *(Note 24)* | 174,707 | 3,995 |
| Bank interest income | 396,420 | 317,706 |
| Demurrage income | 389,391 | 203,755 |
| Freight income | 542,642 | – |
| Government grants# | 1,191,787 | 554,234 |
| Net compensation received## | 380,888 | 1,112,563 |
| Rental income | – | 31,819 |
| Sundry income | 250,855 | 172,631 |
| Transportation income | – | 112,685 |
| Total | 3,326,690 | 2,509,388 |

\# Subsidiaries incorporated in the PRC received one-off cash incentive from the government of the People's Government of Daduo, Xing Hua Shi, the PRC as an appreciation of project contribution. The grants are recognised as income upon receipt.

\## It represents one-off compensation received from customers and suppliers for price differences and demurrage claims derived from normal course of business.

## 7. DISTRIBUTION AND SELLING EXPENSES

| | Group 2014 | 2013 |
|---|---|---|
| | *US$* | *US$* |
| Compensation | 64,724 | 98,325 |
| Distribution agency fees | 1,495,182 | 2,609,753 |
| Freight charges | 4,056,910 | 7,152,704 |
| Freight insurance | 72,954 | 127,299 |
| Inspection fees | 67,670 | 251,536 |
| Letter of credit agency fees | – | 123,325 |
| Port handling charges | 250,299 | 554,886 |
| Shipping handling charges | 91,236 | 154,610 |
| Transportation charges | – | 93,420 |
| Warehouse charges | 43,938 | 53,798 |
| Others | 524 | 105,956 |
| | 6,143,437 | 11,325,612 |

## 8. FINANCE COSTS

| | Group 2014 | 2013 |
|---|---|---|
| | *US$* | *US$* |
| Bank charges | 561,015 | 349,480 |
| Interest on bank borrowings | 5,702,316 | 1,756,690 |
| | 6,263,331 | 2,106,170 |
| Less: Finance costs capitalised into construction in progress *(Note 14)* | (971,407) | (1,182,590) |
| | 5,291,924 | 923,580 |

## 9. LOSS BEFORE TAX

Loss before tax is determined after charging/(crediting):

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| | | (Restated) |
| Audit fees paid to: | | |
| – auditor of the Company | 87,802 | 95,948 |
| – other auditors* | 104,860 | 62,323 |
| Non-audit fees paid to: | | |
| – auditor of the Company | 7,300 | 8,100 |
| – other auditors* | 52 | 2,160 |
| Amortisation of land use rights *(Note 15)* | 89,335 | 65,956 |
| Depreciation of property, plant and equipment *(Note 14)* | 1,521,052 | 515,707 |
| Fair value loss on derivative financial instruments | 37,028 | 7,120 |
| Impairment of goodwill *(Note 16)* | 94,155 | – |
| Loss on disposal of an associated company | – | 98,492 |
| Loss on disposal of intangible assets | – | 1,938 |
| Loss on disposal of property, plant and equipment | 51 | 215,117 |
| Material costs recognised as an expense in cost of sales | 259,366,997 | 269,565,716 |
| Net exchange gains | (67,983) | (471,636) |
| Net realised loss on derivative financial instruments | 195,850 | 170,598 |
| Pre-operating expenses | 432 | 991 |
| Rental expenses | 303,574 | 285,018 |
| Staff costs *(Note 10)* | 5,195,096 | 4,219,659 |
| Written down of inventories | 616,432 | – |
| Written off of amounts due from associated companies | – | 1,758,554 |
| Written off of inventories | 277,136 | – |
| Written off of property, plant and equipment | – | 41,303 |
| Written off of receivables | 313,733 | 835,477 |

* Includes independent member firms of the Baker Tilly International network.

## 10. STAFF COSTS

| | Group 2014 | Group 2013 |
|---|---|---|
| | *US$* | *US$* |
| Staff costs (including directors' remuneration) | | |
| – Salaries, wages and other benefits | 4,934,207 | 4,051,997 |
| – Contributions to defined contribution plans | 260,889 | 167,662 |
| | 5,195,096 | 4,219,659 |

**(a) Fees paid to independent non-executive Directors during the financial year were as follows:**

| | 2014 | 2013 |
|---|---|---|
| | *US$* | *US$* |
| Tang Chi Loong | 34,105 | 34,630 |
| Foo Teck Leong | 35,691 | 36,241 |
| Tse To Chung, Lawrence | 23,077 | 23,077 |
| | 92,873 | 93,948 |

There were no other emoluments payable to the independent non-executive Directors during the financial years ended 30 April 2014 and 2013.

**(b) Remuneration of executive Directors**

| | Fees | Salaries and benefits in-kind | Defined contribution plans | Total remuneration |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| **Group** | | | | |
| **2014** | | | | |
| Yu Wing Keung, Dicky | – | 320,000 | 1,923 | 321,923 |
| Chow Kin Wa | – | 256,000 | 1,923 | 257,923 |
| Chow Kin San | – | 246,400 | 1,923 | 248,323 |
| | – | 822,400 | 5,769 | 828,169 |
| 2013 | | | | |
| Yu Wing Keung, Dicky | – | 320,000 | 1,891 | 321,891 |
| Chow Kin Wa | – | 256,000 | 1,891 | 257,891 |
| Chow Kin San | – | 246,400 | 1,891 | 248,291 |
| | – | 822,400 | 5,673 | 828,073 |

There were no arrangements under which a Director waived or agreed to waive any remuneration during the financial years ended 30 April 2014 and 2013.

During the financial years ended 30 April 2014 and 2013, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

**(c) Five highest paid employees**

The five highest paid employees in the Group for the financial year included three (2013: three) Directors, details of whose remuneration are set out in Note 10(b) above. Details of the remaining two (2013: two) non-directors highest paid employees for the financial year are as follows:

| | Group 2014 US$ | 2013 US$ |
|---|---|---|
| Salaries and bonus | 440,310 | 243,046 |
| Contributions to defined contribution plans | 11,734 | 12,756 |
| | 452,044 | 255,802 |

The numbers of non-director, highest paid employees whose remuneration fell within the following bands are as follows:

| | Group 2014 | 2013 |
|---|---|---|
| Over HKD2,000,000 | 1 | – |
| HKD1,500,001 to below HKD2,000,000 | 1 | – |
| HKD1,000,001 to below HKD1,500,000 | – | 1 |
| HKD500,001 to below HKD1,000,000 | – | 1 |
| | 2 | 2 |

During the financial years ended 30 April 2014 and 2013, no remuneration was paid by the Group to the five individuals with the highest remuneration in the Group as an inducement to join or upon joining the Group or as a compensation for loss of office.

**11. INCOME TAX EXPENSES**

Income tax expenses attributable to loss is made up of:

| | Group 2014 US$ | 2013 US$ |
|---|---|---|
| Current tax – SG | | |
| (Over)/under provision in prior years | (3,942) | 8,532 |
| Current tax – HK | | |
| Under provision in prior years | – | 7 |
| Current tax – Others | | |
| Provision for the financial year | 48,953 | 15,701 |
| Over provision in prior years | (316) | (2,968) |
| | 44,695 | 21,272 |

The income tax expenses on the results of the financial year differs from the amount of income tax determined by applying the applicable corporate income tax rate due to the following factors:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Loss before tax | (14,405,707) | (6,336,256) |
| Tax at the domestic rates applicable to profits/(losses) in the countries where the Group operates | (2,311,680) | (920,359) |
| Expenses not deductible for tax purpose | 129,723 | 601,581 |
| Income not subject to tax | (266,604) | (283,143) |
| Deferred tax assets not recognised | 2,492,700 | 677,807 |
| (Over)/under provision of tax in prior years | (4,258) | 5,571 |
| Utilisation of previously unrecognised tax losses | – | (34,061) |
| Others | 4,814 | (26,124) |
| Income tax expenses | 44,695 | 21,272 |

No provision for Singapore income tax has been made as the Group has no assessable profits for the financial years ended 30 April 2014 and 2013.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the financial years ended 30 April 2014 and 2013.

Taxes on profits assessable in the PRC has been calculated at 25% (2013: 25%) for the financial years ended 30 April 2014 and 2013.

Pursuant to the rules and regulations of the British Virgin Islands ("**BVI**") and Dubai United Arab Emirates, the Group is not subject to any income tax in these jurisdictions.

**Unrecognised deferred tax assets**

At the end of the reporting period, the Group has unrecognised tax losses of US$18,478,000 (2013: US$6,718,000) that are available for carry forward to offset against future taxable income subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax asset of US$3,814,000 (2013: US$1,340,000) has not been recognised in respect of these tax losses as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

## 12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the financial year ended 30 April 2014 includes a loss of US$533,054 (2013: profit of US$1,078,078) which has been dealt with in the financial information of the Company.

## 13. LOSS PER SHARE

Basic and diluted loss per share is calculated based on the Group's loss for the financial year attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding during the financial years ended 30 April 2014 and 2013.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Loss attributable to owners of the Company | (13,273,331) | (5,578,029) |

| | Number of ordinary shares | |
|---|---|---|
| | **2014** | **2013** |
| | *'000* | *'000* |
| Weighted average number of ordinary shares | 170,804 | 170,804 |

There were no potentially dilutive ordinary shares in existence during the financial years ended 30 April 2014 and 2013 and therefore the diluted loss per share amounts for those years were the same as the basic loss per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land and buildings | Plant and machinery | Furniture, fixtures and computer equipment | Motor vehicles | Renovation | Construction work in progress | Total |
|---|---|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| **2014** | | | | | | | |
| **Cost** | | | | | | | |
| At 1.5.2013 | 7,420,604 | – | 339,637 | 1,078,509 | 150,329 | 39,047,662 | 48,036,741 |
| Additions | – | 291,472 | 103,086 | 262,939 | 18,075 | 27,231,250 | 27,906,822 |
| Disposals/written off | – | – | – | (265,282) | (4,419) | – | (269,701) |
| Reclassification | 10,708,949 | 51,892,351 | – | – | – | (62,601,300) | – |
| Exchange realignment | 16,447 | 20,896 | 6,367 | 6,919 | 311 | 333,907 | 384,847 |
| **At 30.4.2014** | 18,146,000 | 52,204,719 | 449,090 | 1,083,085 | 164,296 | 4,011,519 | 76,058,709 |
| **Accumulated depreciation** | | | | | | | |
| At 1.5.2013 | 674,761 | – | 145,373 | 573,211 | 85,531 | – | 1,478,876 |
| Charge for the financial year | 477,387 | 688,005 | 96,375 | 234,268 | 25,017 | – | 1,521,052 |
| Disposals/written off | – | – | – | (211,769) | (4,419) | – | (216,188) |
| Exchange realignment | 1,170 | (1,285) | 317 | 6,451 | 68 | – | 6,721 |
| **At 30.4.2014** | 1,153,318 | 686,720 | 242,065 | 602,161 | 106,197 | – | 2,790,461 |
| **Net carrying value** | | | | | | | |
| **At 30.4.2014** | 16,992,682 | 51,517,999 | 207,025 | 480,924 | 58,099 | 4,011,519 | 73,268,248 |

| Group | Leasehold land and buildings *US$* | Plant and machinery *US$* | Furniture, fixtures and computer equipment *US$* | Motor vehicles *US$* | Renovation *US$* | Construction work in progress *US$* | Total *US$* |
|---|---|---|---|---|---|---|---|
| **2013 (Restated)** | | | | | | | |
| **Cost** | | | | | | | |
| At 1.5.2012, as previously stated | 10,621,478 | – | 220,655 | 962,918 | 174,693 | 9,035,042 | 21,014,786 |
| Amount reclassified | (3,215,745) | – | – | – | – | – | (3,215,745) |
| As reclassified | 7,405,733 | – | 220,655 | 962,918 | 174,693 | 9,035,042 | 17,799,041 |
| Acquisition of subsidiaries | – | – | 2,677 | 63,803 | 53,945 | – | 120,425 |
| Additions | – | – | 141,997 | 45,181 | 9,835 | 29,982,361 | 30,179,374 |
| Disposals/written off | – | – | (15,608) | – | (88,765) | (549,335) | (653,708) |
| Exchange realignment | 14,871 | – | (10,084) | 6,607 | 621 | 579,594 | 591,609 |
| At 30.4.2013 | 7,420,604 | – | 339,637 | 1,078,509 | 150,329 | 39,047,662 | 48,036,741 |
| **Accumulated depreciation** | | | | | | | |
| At 1.5.2012, as previously stated | 549,945 | – | 94,573 | 357,988 | 89,585 | 145,154 | 1,237,245 |
| Amount reclassified | (87,215) | – | – | – | – | – | (87,215) |
| As reclassified | 462,730 | – | 94,573 | 357,988 | 89,585 | 145,154 | 1,150,030 |
| Acquisition of subsidiaries | – | – | 1,225 | 2,658 | 10,349 | – | 14,232 |
| Charge for the financial year | 210,397 | – | 59,788 | 209,474 | 36,048 | – | 515,707 |
| Disposals/written off | – | – | (10,759) | – | (50,603) | (145,154) | (206,516) |
| Exchange realignment | 1,634 | – | 546 | 3,091 | 152 | – | 5,423 |
| **At 30.4.2013** | 674,761 | – | 145,373 | 573,211 | 85,531 | – | 1,478,876 |
| **Net carrying value** | | | | | | | |
| **At 1.5.2012** | 6,943,003 | – | 126,082 | 604,930 | 85,108 | 8,889,888 | 16,649,011 |
| **At 30.4.2013** | 6,745,843 | – | 194,264 | 505,298 | 64,798 | 39,047,662 | 46,557,865 |

The Group's construction work in progress included finance costs arising from bank loan borrowed specifically for the purpose of the construction of manufacturing plant in Jiangsu, the PRC. During the financial year ended 30 April 2014, the finance costs capitalised as cost of construction work in progress amounted to US$971,407 (2013: US$1,182,590). The interest rate used to determine the amount of finance costs eligible for capitalisation was ranged from 5.2% to 5.3% (2013: 5.2% to 5.3%) per annum, which is the effective interest rate of the specific borrowing.

At the end of the reporting period, property, plant and equipment with the following net carrying values are pledged to certain banks for banking facilities (Note 23):

| | Group | | |
|---|---|---|---|
| | **30.4.2014** | **30.4.2013** | **1.5.2012** |
| | *US$* | *US$* | *US$* |
| | | (Restated) | (Restated) |
| Leasehold land and buildings | 13,279,716 | 6,745,843 | 6,943,003 |
| Construction work in progress | 439,549 | 34,561,017 | 6,146,402 |
| Plant and machinery | 51,244,662 | – | – |
| | 64,963,927 | 41,306,860 | 13,089,405 |

The analysis of net carrying value of leasehold land and buildings is as follows:

| | Group | | |
|---|---|---|---|
| | **30.4.2014** | **30.4.2013** | **1.5.2012** |
| | *US$* | *US$* | *US$* |
| | | (Restated) | (Restated) |
| Long leasehold land and building in HK | 5,150,078 | 5,280,747 | 5,411,419 |
| Long leasehold land and building in Shanghai, the PRC | 1,398,483 | 1,465,096 | 1,531,584 |
| Long leasehold buildings in Jiangsu, the PRC | 6,731,155 | – | – |
| Long leasehold building in Tianjin, the PRC | 3,712,966 | – | – |
| | 16,992,682 | 6,745,843 | 6,943,003 |

## 15. LAND USE RIGHTS

| | Group 2014 | 2013 |
|---|---|---|
| | *US$* | *US$* |
| | | (Restated) |
| **Cost** | | |
| At 1 May | 3,245,667 | 3,215,745 |
| Additions during the financial year | 3,070,952 | 10,979 |
| Exchange realignment | 62,132 | 18,943 |
| At 30 April | 6,378,751 | 3,245,667 |
| **Accumulated amortisation** | | |
| At 1 May | 154,819 | 87,215 |
| Amortisation for the financial year | 89,335 | 65,956 |
| Exchange realignment | 1,296 | 1,648 |
| At 30 April | 245,450 | 154,819 |
| **Net carrying amounts** | | |
| At 1 May 2012 | | 3,128,530 |
| At 30 April | 6,133,301 | 3,090,848 |
| **Amount to be amortised** | | |
| – Not later than one financial year | 104,191 | 89,335 |
| – Later than one financial year but not later than five financial years | 416,763 | 357,338 |
| – Later than five financial years | 5,612,347 | 2,644,175 |
| | 6,133,301 | 3,090,848 |

The details of the land use rights at 30 April 2014 are as follows:

| Location | Lease period | Land area (square meters) |
|---|---|---|
| Tianjin, the PRC | November 2009 to September 2059 | 25,000.00 |
| Xinghua City, Jiangsu, the PRC | July 2011 to February 2058 | 26,669.60 |
| Xinghua City, Jiangsu, the PRC | August 2011 to February 2058 | 23,288.00 |
| Xinghua City, Jiangsu, the PRC | January 2012 to January 2062 | 10,019.70 |
| Xinghua City, Jiangsu, the PRC | January 2012 to January 2062 | 15,655.60 |
| Xinghua City, Jiangsu, the PRC | April 2013 to January 2063 | 21,673.60 |
| Xinghua City, Jiangsu, the PRC | January 2014 to June 2063 | 21,677.60 |
| Xinghua City, Jiangsu, the PRC | January 2014 to June 2063 | 22,534.00 |
| Xinghua City, Jiangsu, the PRC | April 2014 to June 2063 | 7,998.40 |
| Xinghua City, Jiangsu, the PRC | April 2014 to February 2058 | 19,632.50 |

At the end of the reporting period, land use rights of US$2,708,901 (2013: US$1,922,214) are pledged to banks for banking facilities granted (Note 23).

## 16. GOODWILL ARISING ON BUSINESS COMBINATIONS

| | 2014 | 2013 |
|---|---|---|
| | *US$* | *US$* |
| Balance at beginning of financial year | 98,126 | – |
| Acquisition of subsidiaries | – | 98,334 |
| Impairment loss charged to profit or loss *(Note 9)* | (94,155) | – |
| Exchange realignment | – | (208) |
| Balance at end of financial year | 3,971 | 98,126 |

During the financial year, the Group impaired goodwill of US$94,155 relating to a subsidiary in the PRC whom principal activities are wholesale, import/export of steel products and coal because of unfavourable business performance of this subsidiary. The impairment charged is included within "Administrative Expenses" in the consolidated income statement.

## 17. INVESTMENTS IN ASSOCIATED COMPANIES

Details of associated companies are as follows:

| Name of company | Place of incorporation | Particulars of issued and fully paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2014 % | 2013 % |
|---|---|---|---|---|---|
| **Held by GLOBAL WEALTH TRADING LIMITED** | | | | | |
| RICO GROUP LIMITED[#(a)] | BVI | US$100 | Investment holding | 30 | 30 |
| NOVOSTAL PTE. LTD.[@(b)] | SG | SGD2,000,000 | Trading and investment | – | 30 |
| **Held by RICO GROUP LIMITED** | | | | | |
| NOVOSTAL LIMITED[@@(c)] | HK | HKD15,600,000 | Trading and investment | – | 30 |

[#] not required to be audited in the country of incorporation
[@] audited by CPA Trust PAC
[@@] audited by Y.K.Yu & Co
[(a)] in the process of striking off from the register
[(b)] struck off from the register during the financial year
[(c)] deregistered during the financial year

The summarised financial information of the Group's associated companies, which is not adjusted for the percentage of ownership interest held by the Group, are as follows:

| | 2014 US$ | 2013 US$ |
|---|---|---|
| Revenue | – | – |
| Loss after tax | – | (250,014) |
| Total assets | – | – |
| Total liabilities | – | (1,399,930) |

At the end of the previous financial year, the Group had not recognised losses for the financial year amounting to US$444,433 for RICO GROUP LIMITED because the Group's share of losses had exceeded its interests in this associated company. The Group's cumulative share of unrecognised losses at the end of the previous financial year was US$1,019,979.

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company 2014 US$ | 2013 US$ |
|---|---|---|
| *Unquoted equity shares, at cost* | | |
| At 1 May | 79,588,337 | 79,588,417 |
| Acquisition of a new subsidiary | 1 | – |
| Written off during the financial year | (128,215) | (80) |
| At 30 April | 79,460,123 | 79,588,337 |

**(a) Details of subsidiaries are as follows:**

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2014 % | 2013 % |
|---|---|---|---|---|---|
| **Held by the Company** | | | | | |
| NOVO COMMODITIES LIMITED** | HK | HKD8,000,000 | Trading and investment | 100 | 100 |
| NOVA MARITIME (B.V.I.) LIMITED# | BVI | US$10 | Shipping brokerage | 100 | 100 |
| NOVO OVERSEAS HOLDINGS PTE. LTD.* | SG | SGD200,000 | Investment holding | 100 | 100 |
| NOVO COMMODITIES PTE. LTD.* | SG | SGD200,000 | Trading and investment | 100 | 100 |
| GLOBAL WEALTH TRADING LIMITED# | BVI | US$10 | Investment holding | 100 | 100 |
| NOVO COMMODITIES LIMITED#(e) | BVI | US$10 | Trading and investment | – | 100 |
| Novo Development Limited# | BVI | US$10 | Investment holding | 100 | 100 |
| Iron Shipping Limited#(b) | BVI | US$10 | Shipping brokerage | 100 | 100 |
| Novo Resources Limited**(c) | HK | HKD1,000,000 | Trading and investment | – | 100 |
| Novo Management Services Limited** | HK | HKD1 | Investment holding and provision of management services | 100 | 100 |
| NOVO COAL PTE. LTD.* | SG | SGD1 | Investment holding | 100 | 100 |
| EAST OASIS TRADING LIMITED@@(d) | HK | HKD10 | Trading | 100 | – |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2014 % | 2013 % |
|---|---|---|---|---|---|
| **Held by NOVO COMMODITIES LIMITED** | | | | | |
| NOVO COMMODITIES PRIVATE LIMITED[@] | India | Rupee10,00,000 | Trading and investment | 100 | 100 |
| **Held by GLOBAL WEALTH TRADING LIMITED** | | | | | |
| XINGHUA HOLDINGS LIMITED[#(e)] | BVI | US$50,000 | Investment holding | – | 100 |
| Qiang Hua Trading Limited[@@] | HK | HKD10 | Trading and investment | 100 | 100 |
| **Held by Novo Development Limited** | | | | | |
| Novo Development Limited[@@] | HK | HKD10 | Investment holding | 100 | 100 |
| **Held by Qiang Hua Trading Limited** | | | | | |
| Qiang Hua (Shanghai) Trading Limited[***^^Δ] | The PRC | RMB20,000,000 | Trading and investment | 80 | 80 |
| **Held by Novo Development Limited & Qiang Hua Trading Limited (in trust of Novo Development Limited** | | | | | |
| TIANJIN SHIFA NOVO TECHNOLOGY DEVELOPMENT LIMITED (formerly known as NOVO DEVELOPMENT (TIANJIN) LIMITED)[@^^(f)] | The PRC | US$8,570,000 | Process and sales of steel and metal products | 50 | 100 |
| **Held by NOVO OVERSEAS HOLDINGS PTE. LTD.** | | | | | |
| Novosteel DMCC[****] | United Arab Emirates | AED200,000 | Trading | 100 | 100 |
| Novo Commodities PTE Ltd[#] | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Steel Limited[#] | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Resources Limited[#(e)] | BVI | US$10 | Trading and investment | – | 100 |
| Novo Shipping Ltd[#] | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Investment Limited[#] | BVI | US$10 | Investment holding | 100 | 100 |
| Novo ETP Limited[#] | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Minerals Limited[#(e)] | BVI | US$1 | Investment holding | – | 100 |
| Novo Power Limited[@@] | HK | HKD10 | Investment holding | 100 | 100 |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2014 % | 2013 % |
|---|---|---|---|---|---|
| **Held by NOVO OVERSEAS HOLDINGS PTE. LTD. & NOVO COAL PTE. LTD.** | | | | | |
| PT. NOVO COAL@ | Indonesia | US$500,000 | Trading | 100 | 100 |
| **Held by Novo Investment Limited** | | | | | |
| NOVO INVESTMENT LIMITED** | HK | HKD10,000 | Investment holding | 100 | 100 |
| **Held by NOVO INVESTMENT LIMITED** | | | | | |
| Qingdao Novo Port Investment Logistic Limited@^Δ | The PRC | RMB6,348,200 | Warehousing and wholesaling | 100 | 100 |
| **Held by Novo Steel Limited** | | | | | |
| Novo Steel (HK) Limited** | HK | HKD1,000,000 | Trading and investment | 51 | 51 |
| **Held by Novo Shipping Ltd** | | | | | |
| EASTERN BULK PTE. LTD.* | SG | SGD1,000,000 | Shipping brokerage | (g) | 70 |
| **Held by Qiang Hua (Shanghai) Trading LimitedΔ** | | | | | |
| Hua Qiang (Shanghai) Trading Limited***^^^Δ | The PRC | RMB5,000,000 | Trading and investment | 80 | 80 |
| **Held by Hua Qiang (Shanghai) Trading LimitedΔ** | | | | | |
| Taizhou Hua Yong Trading Limited***^^^Δ(a) | The PRC | RMB5,000,000 | Trading | 80 | – |
| **Held by Novo ETP Limited** | | | | | |
| Novo ETP Limited@@ | HK | HKD10 | Investment holding | 100 | 100 |
| Novo Investment and Development Limited@@ | HK | HKD10 | Investment holding | 100 | 100 |
| Novo Lamination Limited@@ | HK | HKD10 | Investment holding | 100 | 100 |
| Wah Shun Storage Limited##(a) | HK | HKD10 | Investment holding | 100 | – |
| **Held by Novo ETP Limited** | | | | | |
| Novowell ETP Limited***^^Δ | The PRC | US$17,500,000 | Manufacturing, distribution, import and export, technology consultancy and development | 95 | 95 |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2014 % | 2013 % |
|---|---|---|---|---|---|
| Novowell International Trading (Shanghai) Company Limited[***^] | The PRC | US$1,000,000 | Wholesale, import and export | 100 | 100 |
| **Held by Novowell ETP LimitedΔ** | | | | | |
| Xing Hua City Daduo Sewage Treatment Co., Ltd[***^^^Δ(h)] | The PRC | RMB7,000,000 | Sewage treatment | – | 57 |
| **Held by Wah Shun Storage Limited** | | | | | |
| Xing Hua City Daduo Sewage Treatment Co., Ltd[***^^^Δ(h)] | The PRC | RMB7,000,000 | Sewage treatment | 57 | – |
| **Held by Wah Shun Storage Limited (Continued)** | | | | | |
| Wah Shun Storage (Taizhou) Limited[##^(a)] | The PRC | US$199,990 | General storage, property service and corporate management consultancy | 100 | – |
| **Held by Wah Shun Storage (Taizhou) Limited** | | | | | |
| Taizhou Hua Yong Storage Limited[##^Δ(a)] | The PRC | RMB40,000,000 | General storage, property service and corporate management consultancy | 100 | – |
| **Held by NOVO COAL PTE. LTD.** | | | | | |
| Novo Iron Ore Limited[#(e)] | BVI | US$10 | Investment holding | – | 100 |
| **Held by Novo ManagementServices Limited** | | | | | |
| Novo Commodities Limited[#] | Republic of Seychelles | US$1 | Investment holding | 100 | 100 |
| Nova Maritime Limited[#] | Republic of Seychelles | US$1 | Shipping brokerage | 100 | 100 |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2014 | 2013 |
|---|---|---|---|---|---|
| | | | | % | % |
| **Held by Novo Power Limited** | | | | | |
| Guang Dong Yong Peng Import and Export Trading Co., Ltd@^^Δ | The PRC | RMB10,000,000 | Wholesale, import and export | 51 | 51 |
| **Held by Novo Lamination Limited** | | | | | |
| Novowell Lamination Technology (Taizhou) Limited***^^^^(a) | The PRC | US$4,100,000 | Manufacturing, sales and distribution | 90.1 | – |

- * audited by Baker Tilly TFW LLP
- ** audited by Baker Tilly Hong Kong Limited
- *** audited by Baker Tilly China
- **** audited by Baker Tilly MKM Chartered Accountants
- @ audited by other Certified Public Accountants
- @@ audited by Y.K. Yu & Co
- # not required to be audited in the country of incorporation
- ## not required to be audited as the company was incorporated during the financial year
- ^ registered as a wholly-owned foreign enterprise under the PRC laws
- ^^ registered as a sino-foreign joint venture under the PRC laws
- ^^^ registered as a local enterprise under the PRC laws
- ^^^^ registered as a partially-owned foreign enterprise under the PRC laws
- Δ unofficial English translation
- (a) incorporated during the financial year
- (b) in the process of striking off from the register
- (c) deregistered during the financial year
- (d) acquired during the financial year
- (e) struck off from the register during the financial year
- (f) during the financial year, the Group's equity interest in TIANJIN SHIFA NOVO TECHNOLOGY DEVELOPMENT LIMITED (formerly known as NOVO DEVELOPMENT (TIANJIN) LIMITED ("ND(TJ)")) was diluted from 100% to 50%, but the Group continues to control its majority of the board of directors of ND(TJ) and therefore it is still classified as a subsidiary of the Group. The effect of the dilution is disclosed in Note 18(b)
- (g) Oscar Maritime International Ltd., 30% shareholder of EASTERN BULK PTE, LTD. was struck off from the register (the "Struck Off") on 1 January 2014. Before the Struck Off, Novo Shipping Ltd was 70% shareholder of EASTERN BULK PTE. LTD.
- (h) during the financial year, investment in Xing Hua City Dadao Sewage Treatment Co., Ltd was transferred from Novowell ETP Limited to Taizhou Hua Yong Trading Limited, which is held as to 57% in trust for Wah Shun Storage Limited and 3% in trust for a third party

**(b) Acquisition of non-controlling interests without a change of control**

(i) During the financial year, a subsidiary ND(TJ) has received a capital injection of US$4,285,000 from a non-controlling interest. Subsequent to the said capital injection, the Group's equity interest in ND(TJ) is diluted from 100% to 50%, but the Group continues to control its majority of the board of directors of ND(TJ) and therefore it is still classified as a subsidiary of the Group.

(ii) During the financial year, a newly incorporated subsidiary, Novowell Lamination Technology (Taizhou) Limited ("NWLT") received a capital injection of US$406,053 from a non-controlling interest. Subsequent to the capital injection, the Group's equity interest in NWLT is diluted from 100% to 90.1%.

The effect of these dilutions on the equity attributable to owners of the Company is summarised as follows:

| | |
|---|---|
| | *US$* |
| Consideration received from non-controlling interests | 4,691,053 |
| Carrying amount of non-controlling interests acquired | (4,483,133) |
| Increase in equity attributable to owners of the Company | 207,920 |

**19. INVENTORIES**

| | **Group** | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Raw materials | 2,291,431 | 19,476,071 |
| Work-in-progress | 2,714,179 | 2,423,221 |
| Finished goods | 11,565,209 | 2,931,639 |
| | 16,570,819 | 24,830,931 |

The inventories with carrying amounts of US$8,580,383 (2013: US$22,174,929) have been pledged as securities for banking facilities granted to the Group (Note 23).

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales amounted to US$259,366,997 (2013: US$269,565,716).

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Assets | Liabilities | Assets | Liabilities |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| Foreign currency time option contracts | – | 37,028 | – | – |

At 30 April 2014, the Group has the following foreign currency time option contracts denominated in EURO ("**EUR**"). The Group is obligated to convert any amount up to the notional amount at the contracted exchange rate before the maturity date. The major terms of these contracts were as follows:

| Notional amount | Maturity date | Conversion to USD with contracted exchange rate |
|---|---|---|
| EUR170,000 | 4 August 2014 | 1.3435 |
| EUR138,000 | 27 August 2014 | 1.3820 |
| EUR235,950 | 5 September 2014 | 1.3600 |
| EUR373,800 | 3 October 2014 | 1.3780 |
| EUR603,050 | 17 October 2014 | 1.3693 |
| EUR76,500 | 24 October 2014 | 1.3670 |
| EUR1,312,000 | 3 November 2014 | 1.3770 |
| EUR37,500 | 24 November 2014 | 1.3575 |
| EUR168,500 | 1 December 2014 | 1.3551 |
| EUR138,000 | 3 December 2014 | 1.3690 |

The fair values of foreign currency time option contracts at the end of the reporting period are referenced to the bank statements provided by the counterparty banks. All fair value changes were recognised in profit or loss.

In addition, the Group has also entered into the following commodity futures contracts at the end of the reporting period:

| | Long exposure | | Short exposure | |
|---|---|---|---|---|
| | Notional amount | Number of contracts | Notional amount | Number of contracts |
| | *US$* | | *US$* | |
| **2014** | | | | |
| Commodity futures contracts | 948,910 | 180 | 790,027 | 150 |

The fair values change for these commodity futures contracts were not significant at the end of the reporting period.

## 21. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | *US$* | *US$* | *US$* | *US$* |
| Advance payment to suppliers | 11,421,686 | 13,544,242 | – | – |
| Trade and bills receivables | 14,569,053 | 9,146,025 | – | – |
| | 25,990,739 | 22,690,267 | – | – |
| Dividend receivable from subsidiaries | – | – | – | 1,500,000 |
| Deposits | 740,792 | 118,538 | – | – |
| Advance payment for property, plant and equipment | 1,310,913 | 22,706,738 | – | – |
| Temporary payment | 1,293 | 2,944 | – | – |
| Prepayments | 1,618,419 | 1,836,634 | 22,263 | 56,052 |
| Other receivables | 10,260,472 | 7,193,145 | – | 5,735 |
| Balances due from | | | | |
| – subsidiaries | – | – | 41,248,550 | 32,905,178 |
| – a non-controlling shareholder | 81,195 | 439,488 | – | – |
| | 14,013,084 | 32,297,487 | 41,270,813 | 34,466,965 |
| | 40,003,823 | 54,987,754 | 41,270,813 | 34,466,965 |

The receivables due from subsidiaries and a non-controlling shareholder are unsecured, interest-free and repayable on demand.

Trade and bills receivables of US$2,924,791 (2013: US$6,298,406) are pledged to banks for banking facilities granted (Note 23).

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

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | *US$* | *US$* |
| Current | 10,344,094 | 9,104,594 |
| Less than 1 month past due | 2,761,643 | 41,431 |
| 1 to 3 months past due | 1,155,697 | – |
| 3 to 12 months past due | 307,619 | – |
| Amount past due but not impaired | 4,224,959 | 41,431 |
| | 14,569,053 | 9,146,025 |

The Group conducts settlement by letter of credit and in advance for most international trading and the PRC domestic trading and distribution. Other than that the Group has a policy of allowing customers for domestic trading and distribution in HK with credit terms of normally 30 days after the date of delivery.

The Directors are of the opinion that no allowance for impairment of trade and bills receivables for the above debts which are past due but not impaired is necessary as there was no recent history of significant default in respect of these trade and bills receivables. Trade and bills receivables that were neither past due nor impaired related to a wide range of independent customers that have a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

Trade and other receivables denominated in currencies other than the functional currencies of the respective entities are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *US$* | *US$* | *US$* | *US$* |
| Chinese Renminbi (“**RMB**”) | 66,934 | 46,186 | – | – |
| EUR | 377,638 | – | – | – |
| Hong Kong Dollars (“**HKD**”) | 19,190 | 14,117 | 16,826 | 13,320 |
| Indonesian Rupiah (“**IDR**”) | 14,077 | 17,811 | – | – |
| Singapore Dollars (“**SGD**”) | 8,788 | 14,191 | 5,438 | 5,735 |
| UAE Dirham (“**AED**”) | 2,178 | 2,179 | – | – |
| | 488,805 | 94,484 | 22,264 | 19,055 |

## 22. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *US$* | *US$* | *US$* | *US$* |
| Cash on hand and at bank (unpledged portion) | 12,480,595 | 9,972,225 | 114,939 | 68,036 |
| Cash at margin accounts (non-restricted) | 299,652 | – | – | – |
| Fixed deposits (pledged portion) | 34,041,240 | 9,177,749 | – | – |
| Cash and cash equivalents on the statement of financial position | 46,821,487 | 19,149,974 | 114,939 | 68,036 |
| Less: Pledged cash at bank and fixed deposits | (34,041,240) | (9,177,749) | | |
| Cash and cash equivalents as per consolidated statement of cash flows | 12,780,247 | 9,972,225 | | |

**Group**

At the end of the reporting period, fixed deposits mature within 1 to 154 days (2013: 1 to 154 days) from the end of the reporting period, and have effective interest rates of 0.01% to 3.08% per annum (2013: 0.01% to 3.08% per annum).

Cash at margin accounts are deposited with brokerage companies for future derivative contracts and are non-restricted in use at the end of the reporting period.

The Group has pledged its fixed deposits and certain cash at bank to banks for banking facilities granted (Note 23).

The cash at bank at the end of the reporting period generally earns interest at rate of 0.001% to 3.25% per annum (2013: 0.0001% to 0.50% per annum).

Cash and cash equivalents denominated in currencies other than the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *US$* | *US$* | *US$* | *US$* |
| Australian Dollars | 290 | 3,421 | – | – |
| Sterling Pound | 84 | – | – | – |
| RMB | 3,386 | 2,991 | – | – |
| EUR | 1,890 | 3,099 | – | – |
| HKD | 110,078 | 72,849 | 2,890 | 6,438 |
| IDR | 4,675 | 8,363 | – | – |
| SGD | 1,687,954 | 3,935,890 | 109,688 | 33,889 |
| Philippine Peso ("**PHP**") | 59 | – | – | – |
| AED | 361 | 1,848 | – | – |
| USD | 6,714,128 | 117,707 | – | – |
| | 8,522,905 | 4,146,168 | 112,578 | 40,327 |

## 23. BORROWINGS

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| **Non-current liabilities** | | |
| Bank loan | – | 18,650,000 |
| **Current liabilities** | | |
| Bank loan | 24,000,000 | 5,350,000 |
| Working capital loans | 43,856,206 | 28,474,692 |
| Mortgage loan | 624,079 | 682,156 |
| Trust receipt loans | – | 2,585,202 |
| Inventory loan | – | 8,400,000 |
| | 68,480,285 | 45,492,050 |
| | 68,480,285 | 64,142,050 |

Borrowings denominated in currencies other than the functional currencies of the respective entities are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| USD | 24,000,000 | 24,000,000 |

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

– Legal pledge on the Group's leasehold land and buildings (Note 14);

– Legal pledge on the Group's deposits and cash margin (Note 22);

– Pledge of assets (cargo and related proceeds) underlying the financed transactions (Notes 19 and 21);

– 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 land, construction in progress, plant and equipment (Notes 14 and 15);

– Share charge on a subsidiary;

– Floating mortgage; and

– Corporate guarantees of the Company.

**Pledge of assets**

At the end of the reporting period, the Group has pledged the following assets to banks as securities against banking facilities granted to the Group:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Leasehold land and buildings *(Note 14)* | 13,279,716 | 6,745,843 |
| Construction work in progress *(Note 14)* | 439,549 | 34,561,017 |
| Plant and machinery *(Note 14)* | 51,244,662 | – |
| Land use rights *(Note 15)* | 2,708,901 | 1,922,214 |
| Inventories *(Note 19)* | 8,580,383 | 22,174,929 |
| Trade and bills receivables *(Note 21)* | 2,924,791 | 6,298,406 |
| Cash at bank and fixed deposits *(Note 22)* | 34,041,240 | 9,177,749 |
| Others# | 50,616,319 | 41,307,223 |
| | 163,835,561 | 122,187,381 |

# Others consist of a floating charge over the remaining assets of a subsidiary.

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

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *%* | *%* |
| Bank loan | 5.05 | 5.30 |
| Working capital loans | 5.40 | 6.60 |
| Mortgage loan | 6.55 | 6.57 |
| Trust receipt loans | – | 2.30 |
| Inventory loan | – | 2.58 |

The borrowings as at 30 April 2014 are repayable within 1 financial year from the end of the reporting period except as follows:

– Bank loan was repayable within 24 months from December 2014 (2013: 24 months after drawdown date). At the end of the reporting period, the Group has breached certain financial covenants as described in the subsequent paragraphs. Accordingly, the bank loan is classified under current liabilities.

– Mortgage loan was repayable in 87 (2013: 99) equal monthly instalments of US$8,967 (2013: US$8,967) each commencing from 22 April 2014 (2013: 22 April 2013). Notwithstanding to this, the mortgage loan is callable loan therefore, the mortgage loan is classified under current liabilities.

**Breached of loan covenants**

*(i) Bank loan*

The Group's bank loan agreement is subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. The Group breached the financial covenants as required in relation to maintain the required minimum consolidated net worth and minimum consolidated current assets to consolidated current liabilities ratio.

At the end of the reporting period, the Group had drawndown the amount of US$24 million.

Due to these breaches of the covenants clauses, the bank is contractually entitled to request for immediate repayment of the outstanding loans. The outstanding loans are presented as current liabilities as at 30 April 2014.

Subsequent to the end of the reporting period, the Group obtained waiver letter in relation to the breach of financial covenants from the bank retrospective to its financial year ended 30 April 2014 and the bank has agreed not to demand payment as a consequence of these breaches of covenant clauses at 30 April 2014 up to the date of waiver letter, which is 18 July 2014.

*(ii) Working capital loan*

The Group's loan agreement for certain working capital loans are also subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. The Group breached the financial covenants in relation to maintain minimum consolidated tangible net worth and minimum consolidated working capital.

At the end of the reporting period, the Group had utilised the amount totalling US$4,880,928 being bills receivables discounted to bank as disclosed in Note 31(a).

Subsequent to the end of the reporting period, the bank has informed the Group that despite of the non-compliance of certain financial covenants, the bank will continue provide credit facilities to the Group to meet its current and future credit requirements, subject to acceptable terms and conditions by the bank and usual vetting of the merits of the relevant requests.

## 24. DEFERRED INCOME

| | Group 2014 | 2013 |
|---|---|---|
| | *US$* | *US$* |
| **Grant-related to assets** | | |
| Balance at beginning of the financial year | 200,939 | 199,086 |
| Grant received during the financial year | 1,595,476 | – |
| Exchange realignment | (3,990) | 1,853 |
| Balance at end of the financial year | 1,792,425 | 200,939 |
| **Less: Accumulated amortisation** | | |
| Balance at beginning of the financial year | 13,149 | 9,019 |
| Amortisation for the financial year (Note 6) | 174,707 | 3,995 |
| Exchange realignment | (421) | 135 |
| Balance at end of the financial year | 187,435 | 13,149 |
| Net carrying value | 1,604,990 | 187,790 |
| *Represented by:* | | |
| Current liability | 294,386 | 4,046 |
| Non-current liability | 1,310,604 | 183,744 |
| | 1,604,990 | 187,790 |

Deferred grants represent:

– infrastructure development grant received from Tianjin Economic Technological Development Area ("**TEDA**") Construction Development Bureau to subsidies the set-up costs of a steel processing centre in Tianjin, the PRC;

– government grant received from Xinghua City Municipal Finance Bureau and Xinghua City Environmental Protection Bureau for financing a water pollution prevention project in Jiangsu, the PRC;

– cash incentive received from Xinghua City Municipal Finance Bureau for financing the purchase of a piece of land in Jiangsu, the PRC; and

– government grant received from Tianjin Economic and Information Technology Commission and Tianjin Finance Bureau to encourage the technology innovation project in Tianjin, the PRC.

These grants are amortised over the useful lives of the property, plant and equipment and land use rights which it is subsidising (Notes 14 and 15).

### 25. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | *US$* | *US$* | *US$* | *US$* |
| Trade and bills payables | 12,357,909 | 4,213,024 | – | – |
| Bills payables to banks | 45,436,793 | 10,383,520 | – | – |
| Trade payables | 57,794,702 | 14,596,544 | – | – |
| Sales deposits received | 1,463,820 | 382,387 | – | – |
| Accrued operating expenses | 4,069,019 | 3,489,497 | 142,540 | 115,456 |
| Other payables | 2,363,694 | 3,037,105 | 3,824 | 100 |
| Other payables for property, plant and equipment | 5,724,174 | 10,808,845 | – | – |
| Balances due to subsidiaries | – | – | 8,764,846 | 187,473 |
| Balances due to a non-controlling shareholder | 314,102 | 314,102 | – | – |
| | 13,934,809 | 18,031,936 | 8,911,210 | 303,029 |
| | 71,729,511 | 32,628,480 | 8,911,210 | 303,029 |

The securities for bills payable are disclosed in Note 23.

The amounts payable to subsidiaries and a non-controlling shareholder are unsecured, interest-free and repayable on demand.

The ageing analysis of the trade payables at the end of the reporting period based on the invoice date is as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | *US$* | *US$* |
| 0 to 3 months | 44,803,502 | 12,115,726 |
| 3 to 6 months | 12,991,200 | 2,480,818 |
| | 57,794,702 | 14,596,544 |

Trade and other payables denominated in currencies other than the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | *US$* | *US$* | *US$* | *US$* |
| RMB | 401,241 | 37,517 | 24,359 | – |
| HKD | 274,754 | 181,178 | 29,388 | 25,835 |
| IDR | 11,882 | 7,212 | – | – |
| SGD | 131,842 | 117,878 | 92,618 | 86,828 |
| AED | 4,520 | 9,082 | – | – |
| | 824,239 | 352,867 | 146,365 | 112,663 |

## 26. SHARE CAPITAL

| | Group | | Company | |
|---|---|---|---|---|
| | **No. of ordinary shares** | **US$** | **No. of ordinary shares** | **US$** |
| Balance at 30 April 2013 and 30 April 2014 | 170,804,269 | 32,238,531 | 170,804,269 | 108,739,451 |

All issued shares are fully paid ordinary shares with no par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All shares carry one vote per share without restrictions.

## 27. STATUTORY RESERVE

The PRC subsidiaries are required to transfer no less than 10% of its net profit to the general reserve fund each year until the reserve reaches 50% of its registered capital. The transfer to this fund must be made before the payment of dividends to shareholders. In the event that the PRC subsidiaries incur accumulated losses, the transfer of this fund can only be made after the PRC subsidiaries' accumulated losses are fully set off against current year net profit.

The general reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiaries, subject to approval from the relevant PRC authorities.

## 28. OTHER RESERVES – NON-DISTRIBUTABLE

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *US$* | *US$* | *US$* | *US$* |
| Net gain on disposal of treasury shares | 2,600,961 | 2,600,961 | 2,600,961 | 2,600,961 |
| Capital reserve * | 79,317 | – | – | – |
| | 2,680,278 | 2,600,961 | 2,600,961 | 2,600,961 |

* A subsidiary in the PRC received government grant from Xinghua City Municipal Finance Bureau and Xinghua City Environmental Protection Bureau for financing a water pollution prevention project in Jiangsu, the PRC. The government grant received is part of the PRC government's efforts to support the development of economic and social fields and shall be accounted under the "Provisional Measures for Fiscal and Financial Administration of Subsidy Fund for Fixed Assets Investment in the Central Budget (No. 355 [2005] of the Ministry of Finance, the PRC)". The grant received is non-distributable. The amount transferred to capital reserve is based on the deferred grant attributable to owners of the Company that was amortised to profit or loss during the financial year.

**29. DIVIDEND PAID**

| | Group 2014 | Group 2013 |
|---|---|---|
| | *US$* | *US$* |
| Final tax exempt (one-tier) dividend of 1.0 (2013: 1.0) Singapore cents per share paid in respect of the previous financial year ended | 1,352,590 | 1,389,103 |

**30. COMMITMENTS**

**(a) Capital commitments**

Capital commitments not provided for in the financial statements:

| | Group 2014 | Group 2013 |
|---|---|---|
| | *US$* | *US$* |
| Expenditure for property, plant and equipment contracted for | 15,437,678 | 1,923,922 |

**(b) Operating lease commitments**

The future aggregate minimum lease payments for office premises under non-cancellable operating lease at the end of the reporting period are as follows:

| | Group 2014 | Group 2013 |
|---|---|---|
| | *US$* | *US$* |
| Not later than one financial year | 185,856 | 80,983 |
| Later than one financial year but not later than five financial years | 21,309 | 16,911 |
| | 207,165 | 97,894 |

## 31. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

### (a) Bills discounted with recourse

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Discounted bills with recourse supported by letter of credit | 4,880,928 | 8,501,462 |

### (b) Guarantees

| | Company | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Corporate guarantees issued by the Company to banks in respect of banking facilities of subsidiaries | 356,221,400 | 489,706,525 |
| Amounts utilised by subsidiaries | 84,062,799 | 73,843,414 |

The Company has issued corporate guarantees to banks for banking facilities granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company, as the Company does not expect to incur material losses under these corporate guarantees.

## 32. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(b) Fair value measurements of liabilities that are measured at fair value**

The following table presents the level of fair value hierarchy for liabilities measured at fair value at the end of the reporting period at 30 April 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| *Recurring fair value measurements* | | | | |
| **2014** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Derivatives financial instruments | | | | |
| – Foreign currency time option contracts | – | 37,028 | – | 37,028 |

The fair values of foreign currency time option contracts at the end of reporting period are referenced to the bank statements provided by the counterparty banks.

**(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The carrying amounts of these financial assets and financial liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

## 33. FINANCIAL INSTRUMENTS

**(a) Categories of financial instruments**

Financial instruments at the end of the reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *US$* | *US$* | *US$* | *US$* |
| **Financial assets** | | | | |
| *Loans and receivables* | | | | |
| Trade and other receivables | 25,652,805 | 16,900,140 | 41,248,550 | 34,410,913 |
| Cash and cash equivalents | 46,821,487 | 19,149,974 | 114,939 | 68,036 |
| Total loans and receivables | 72,474,292 | 36,050,114 | 41,363,489 | 34,478,949 |
| **Financial liabilities** | | | | |
| *Financial liabilities at amortised cost* | | | | |
| Trade and other payables | 70,265,691 | 32,246,093 | 8,911,210 | 303,029 |
| Borrowings | 68,480,285 | 64,142,050 | – | – |
| Total financial liabilities at amortised cost | 138,745,976 | 96,388,143 | 8,911,210 | 303,029 |
| *Financial liabilities at fair value through profit or loss* | | | | |
| Derivative financial instruments | 37,028 | – | – | – |

**(b) Financial risk management**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Directors review and agree policies and procedures for the management of these risks, which are executed by the Group Treasury. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

*(i) Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and Company minimise credit risk by dealing with counterparties with appropriate credit history.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of loans and receivables recognised in the statements of financial position and the amount of US$84,686,878 (2013: US$74,525,570) relating to corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings, respectively.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances are placed with reputable financial institutions which are regulated and with good credit ratings.

At the end of the reporting period, approximately 88.3% (2013: 89.7%) of the Group's trade and bill receivables were due from 5 major trade receivables.

Analysis of trade and other receivables at the end of the reporting period:

Not past due and not impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Non-trade balances due from subsidiaries and a non-controlling shareholder are generally repayable on demand and no impairment loss is anticipated. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions or companies which are regulated and with good credit ratings.

Past due but not impaired

The aged analysis of third parties trade receivables past due but not impaired are disclosed in Note 21.

Past due and impaired

There are no financial assets that are past due and impaired at the end of the reporting period.

*(ii) Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group adopts prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by keeping committed credit lines available.

The Group seeks to maintain sufficient liquid financial assets and stand-by credit facilities to manage its liquidity risks.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| **Group** | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| Trade and other payables | 70,265,691 | – | – | 70,265,691 | 32,246,093 | – | – | 32,246,093 |
| Borrowings | 47,508,777 | 24,598,195 | 244,593 | 72,351,565 | 47,221,257 | 19,658,592 | 349,730 | 67,229,579 |
| | 117,774,468 | 24,598,195 | 244,593 | 142,617,256 | 79,467,350 | 19,658,592 | 349,730 | 99,475,672 |
| **Company** | | | | | | | | |
| Trade and other payables | 8,911,210 | – | – | 8,911,210 | 303,029 | – | – | 303,029 |
| Financial guarantee contracts *(Note 31(b))* | 84,062,799 | – | – | 84,062,799 | 73,843,414 | – | – | 73,843,414 |
| | 92,974,009 | – | – | 92,974,009 | 74,146,443 | – | – | 74,146,443 |

At the end of the reporting period, the Company does not consider it is probable that a claim will be made against the Company under the intra-group financial guarantee.

The table below analyses the Group's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groups based on the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

| | Group Less than 1 year | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Gross-settled currency forwards | | |
| – Receipts | 4,124,349 | – |
| – Payments | (4,161,377) | – |

*(iii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group obtains financing through bank loans and trade financing facilities. The Group's policy is to obtain the most favourable interest rates available without increasing its interest risk exposure.

At the end of the reporting period, the profile of the Group's interest-bearing financial instruments are as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| **Fixed rate instruments** | | |
| Financial assets | 34,013,904 | 8,835,659 |
| Financial liabilities | 34,083,576 | 33,523,461 |
| **Variable rate instruments** | | |
| Financial assets | 12,030,516 | 8,651,380 |
| Financial liabilities | 34,396,709 | 30,618,589 |

Sensitivity analysis on interest rate risk is not disclosed as the impact of an increase/ decrease of 50 basis points in interest rates is not expected to be significant.

The financial assets and financial liabilities of the Company are non-interest bearing.

*(iv) Foreign currency risk*

Foreign currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group. Exposure to foreign currency risk is monitored on an on-going basis and management seeks to keep the net exposure to an acceptable level.

To minimise foreign currency risk, the Group conducts the majority of both its purchase and sale transactions in the same currency.

During the financial year, the Group entered into foreign currency contracts with a number of banks to reduce its exposure to currency fluctuations risk. These derivatives are not accounted for under hedge accounting as the Group currently does not have a formal currency hedging policy. However, the management monitors foreign exchange exposure from time to time and will further consider hedging significant foreign currency exposure should the need arise. Ten foreign currency time option contracts were outstanding as at 30 April 2014 (2013: Nil).

The Group has foreign currency exposure arising mainly from cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. At the end of the reporting period, US$8,522,905 (2013: US$4,146,168) of cash and cash equivalents, US$488,805 (2013: US$94,484) of trade and other receivables, US$824,239 (2013: US$352,867) of trade and other payables and US$24,000,000 (2013: US$24,000,000) of borrowings are denominated in non-functional currencies.

Sensitivity analysis of the Group's and the Company's foreign currency risk exposure are not presented as a reasonably possible change of 5% in the foreign currencies exchange rates against the respective functional currencies of the Group entities, with all other variables held constant will have no significant impact on the Group's and the Company's net loss.

**(c) Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Group discounts bills receivables with recourse to banks and these amounts are presented on net basis on the statements of financial position. The bills receivables are supported by the customers' letters of credits and the Group considered the risk of default by the issuing banks are remote. These amounts are disclosed as contingent liabilities (Note 31(a)).

The Group's receivables and liabilities that are off-set are as follows:

| **Description** | **Gross carrying amounts** *US$* | **Gross amounts offset on the statement of financial position** *US$* | **Net amounts on the statement of financial position** *US$* |
|---|---|---|---|
| **Group** | | | |
| **2014** | | | |
| Trade and other receivables | 44,884,751 | (4,880,928) | 40,003,823 |
| Borrowings – current liabilities | (73,361,213) | 4,880,928 | (68,480,285) |
| **2013** | | | |
| Trade and other receivables | 63,489,216 | (8,501,462) | 54,987,754 |
| Borrowings – current liabilities | (53,993,692) | 8,501,462 | (45,492,050) |

## 34. CAPITAL MANAGEMENT

The objective of the Group in managing its capital is to ensure the Group's ability to continue as a going concern and to maximise shareholders' values.

The Group reviews the capital structure from time to time and may make adjustments in light of the changing economic conditions, by adjusting the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowing or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 30 April 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital represents total equity attributable to owners of the Company.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | *US$* | *US$* |
| Borrowings | 68,480,285 | 64,142,050 |
| Trade and other payables | 71,729,511 | 32,628,480 |
| | 140,209,796 | 96,770,530 |
| Less: Cash and cash equivalents | (46,821,487) | (19,149,974) |
| Net debt | 93,388,309 | 77,620,556 |
| Total equity attributable to owners of the Company | 36,019,340 | 50,215,468 |
| Capital and net debt | 129,407,649 | 127,836,024 |

| | **2014** | **2013** |
|---|---|---|
| | *%* | *%* |
| Gearing ratio | 72 | 61 |

## 35. SEGMENT INFORMATION

The Group is organised into business units based on its business segments purposes. The reportable segments are trading, tinplate manufacturing and tinplate processing which are described below. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

**Trading**

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

i) iron ore;

ii) coal; and

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

**Tinplate Manufacturing**

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

**Tinplate processing**

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

During the financial year, the Group has reclassified its business units from trading and tinplate manufacturing to trading, tinplate manufacturing and tinplate processing in order to better reflect the development of the Group. Corresponding segment information has been restated accordingly. The change has no impact on total reportable revenue and loss for the financial year.

The segment information provided to management for the reportable segments are as follows:

| 2014 | Trading | Tinplate manufacturing | Tinplate processing | Eliminations | Total |
|---|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| Segment revenue to | | | | | |
| – sales to external customers | 196,770,397 | 44,151,295 | 32,076,533 | – | 272,998,225 |
| – intersegment sales | 35,527,918 | 32,728,787 | 10,048,817 | (78,305,522) | – |
| | 232,298,315 | 76,880,082 | 42,125,350 | (78,305,522) | 272,998,225 |
| Segment results | 1,258,980 | (1,945,945) | (181,917) | – | (868,882) |
| Other income | 872,013 | 2,415,758 | 38,919 | – | 3,326,690 |
| Other costs | (7,580,167) | (3,085,825) | (905,599) | – | (11,571,591) |
| Finance costs | (1,227,171) | (3,013,351) | (1,051,402) | – | (5,291,924) |
| Loss before tax | (6,676,345) | (5,629,363) | (2,099,999) | – | (14,405,707) |
| Income tax credit/(expenses) | 3,219 | (47,914) | – | – | (44,695) |
| **Loss for the financial year** | (6,673,126) | (5,677,277) | (2,099,999) | – | (14,450,402) |
| **Assets and liabilities** | | | | | |
| Segment assets | 147,411,398 | 142,281,345 | 45,010,081 | (151,901,175) | 182,801,649 |
| Segment liabilities | 54,164,515 | 146,107,441 | 43,567,693 | (101,954,474) | 141,885,175 |
| **Other segment information** | | | | | |
| Capital expenditure | 161,755 | 28,556,272 | 2,259,747 | – | 30,977,774 |
| Depreciation and amortisation | 412,476 | 1,022,974 | 174,937 | – | 1,610,387 |
| Non-cash items other than depreciation and amortisation | 350,760 | 378,682 | 340,180 | – | 1,069,622 |

| 2013 *(Restated)* | Trading *US$* | Tinplate manufacturing *US$* | Tinplate processing *US$* | Eliminations *US$* | Total *US$* |
|---|---|---|---|---|---|
| Segment revenue to | | | | | |
| – sales to external customers | 274,450,718 | 9,752,424 | – | – | 284,203,142 |
| – intersegment sales | 10,187,142 | 4,806,405 | – | (14,993,547) | – |
| | 284,637,860 | 14,558,829 | – | (14,993,547) | 284,203,142 |
| Segment results | 4,184,281 | 74,432 | – | (544,230) | 3,714,483 |
| Other income | 1,599,435 | 905,913 | 4,040 | – | 2,509,388 |
| Other costs | (10,053,100) | (1,157,817) | (425,630) | – | (11,636,547) |
| Finance costs | (670,081) | (253,040) | (459) | – | (923,580) |
| Loss before tax | (4,939,465) | (430,512) | (422,049) | (544,230) | (6,336,256) |
| Income tax expenses | (13,172) | (8,100) | – | – | (21,272) |
| **Loss for the financial year** | (4,952,637) | (438,612) | (422,049) | (544,230) | (6,357,528) |
| **Assets and liabilities** | | | | | |
| Segment assets | 166,173,108 | 97,122,089 | 4,653,712 | (119,227,603) | 148,721,306 |
| Segment liabilities | 36,416,755 | 95,867,376 | 5,440,174 | (40,760,263) | 96,964,042 |
| **Other segment information** | | | | | |
| Capital expenditure | 1,129 | 30,176,460 | 12,764 | – | 30,190,353 |
| Amortisation and depreciation | 425,284 | 127,355 | 29,024 | – | 581,663 |
| Non-cash items other than depreciation and amortisation | 2,743,993 | – | 210,013 | – | 2,954,006 |

**Geographical information**

The Group's operations are located in three main geographical areas. The turnover by geographical segments are based on the location of customers regardless of where the goods are produced. The following table provides an analysis of the Group's revenue and non-current assets by geographical markets, irrespective of the origin of the goods and services.

| | | Sales to external customers | | Non-current assets | |
|---|---|---|---|---|---|
| | | **2014** | **2013** | **2014** | **2013** |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| North Asia | *(i)* | 247,962,846 | 180,538,757 | 79,370,734 | 49,742,314 |
| South East Asia | *(ii)* | 11,932,225 | 103,576,406 | 34,786 | 4,525 |
| Others | *(iii)* | 13,103,154 | 87,979 | – | – |
| | | 272,998,225 | 284,203,142 | 79,405,520 | 49,746,839 |

*Note:*

(i) Included the PRC, Hong Kong and Macau, where US$247,896,507 (2013: US$164,199,680) of the Group's revenue derived from the PRC.

(ii) Included Indonesia, Thailand, Vietnam, Malaysia, Philippines and Singapore, where US$7,497,691 (2013: US$79,438,845) of the Group's revenue derived from Thailand.

(iii) Included America, Belgium, Italy, Mozambique and Ukraine.

**Information about major customer**

Revenue of approximately US$30,978,000 (2013: US$29,818,000) which amounts to more than 10% of the Group's revenue are derived from a single external customer and are attributable to the trading segment (2013: trading segment).

**36. RECONCILIATION BETWEEN FRSS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")**

For the financial years ended 30 April 2014 and 2013, there were no material differences between statements of financial position and statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group prepared under FRSs and IFRSs.

## 37. COMPARATIVE FIGURES

Land use rights are the rights to use the land in the PRC. As the risks and rewards incidental to ownership of the land does not transfer to the Group, thus, it is an operating leases under the definition of FRS 17 *Leases*.

During the financial year, the Group reclassified the land use rights separately from property, plant and equipment to better present the nature of assets on the statement of financial position. Comparative figures have also been reclassified to conform with current year's presentation as follows:

| | As previously reported | Amount reclassified | As reclassified |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| **Group** | | | |
| **30 April 2013** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 49,648,713 | (3,090,848) | 46,557,865 |
| Land use rights | – | 3,090,848 | 3,090,848 |
| **1 May 2012** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 19,777,541 | (3,128,530) | 16,649,011 |
| Land use rights | – | 3,128,530 | 3,128,530 |

Accordingly, the Group has presented three statements of financial position in the financial statements. Related notes for the three statements of financial position for line items which have been restated have also been presented. Other notes not presented for the statement of financial position at the beginning of the earliest comparative period as they have not been impacted by the restatement.

In addition, the following reclassification has also been made to the prior year's consolidated statement of cash flows to enhance comparability with current year's presentation:

| | As previously reported | Amount reclassified | As reclassified |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| **Group** | | | |
| **For the financial year ended 30 April 2013** | | | |
| Net cash used in operating activities | (24,814,645) | 12,307,513 | (12,507,132) |
| Net cash used in investing activities | (28,161,903) | (12,307,513) | (40,469,416) |

## 38. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 April 2014 were authorised for issue in accordance with a resolution of the directors dated 24 July 2014.

## 3. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR FY 2015

The following is the full text of the audited consolidated financial statements of the Group for FY2015 as extracted from the annual report of the Company for FY2015:

### INDEPENDENT AUDITOR'S REPORT

### REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the accompanying financial statements of NOVO GROUP LTD. (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 57 to 138, which comprise the statements of financial position of the Group and the Company as at 30 April 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### BASIS FOR DISCLAIMER OF OPINION

#### 1. Going concern

As disclosed in Note 2(a) to the financial statements, the Group incurred a net loss of US$24,746,742 (2014: US$14,450,402) and reported net cash outflows from operating activities of US$6,653,336 (2014: net cash inflows of US$4,658,321) during the financial year ended 30 April 2015. As at that date, the Group's current liabilities exceeded its current assets by US$42,895,080 (2014: US$37,178,442).

As disclosed in Note 23 to the financial statements, the Group breached the financial covenants of certain borrowings during the financial year. In addition, the Group also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates and the balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683.

As disclosed in Note 14 to the financial statements, a subsidiary within the tinplate manufacturing segment has suspended its operations during the financial year and yet to resume its operations as of the date of this report.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the financial statements. This assumption is premised on future events, the outcome of which is inherently uncertain.

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.

Due to the matters described in the above paragraphs, we are unable to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Group's financial statements for the financial year ended 30 April 2015 are necessary.

**2. Property, plant and equipment**

As disclosed in Note 14 to the financial statements, the Group's property, plant and equipment as at 30 April 2015 amounted to US$73,131,079 (2014: US$73,268,248). Management determined that there is no impairment to the property, plant and equipment as their recoverable amounts exceed the net carrying values as at 30 April 2015.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the property, plant and equipment. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of property, plant and equipment as at 30 April 2015 are necessary.

**3. Investments in subsidiaries and amounts due from subsidiaries**

As disclosed in Note 18 to the financial statements, the Company's investments in subsidiaries and amounts due from subsidiaries are carried at cost amounted to US$79,460,123 and US$43,968,458 respectively. Management determined that there is no impairment to the Company's investments in subsidiaries and amounts due from subsidiaries as their recoverable amounts exceed the net carrying values as at 30 April 2015.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2015. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2015 are necessary.

## DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the independent auditor, have been properly kept in accordance with the provisions of the Act.

**Baker Tilly TFW LLP**
*Public Accountants and*
*Chartered Accountants*
Singapore

31 July 2015

## CONSOLIDATED INCOME STATEMENT

*For the Financial Year ended 30 April 2015*

| | | Group | |
|---|---|---|---|
| | | 2015 | 2014 |
| | Note | US$ | US$ |
| **Revenue** | 5 | 248,562,084 | 272,998,225 |
| Cost of sales | | (251,762,403) | (268,303,735) |
| Gross (loss)/profit | | (3,200,319) | 4,694,490 |
| Other income | 6 | 2,222,481 | 3,326,690 |
| Distribution and selling expenses | 7 | (4,169,076) | (6,143,437) |
| Administrative expenses | | (8,936,328) | (9,029,257) |
| Other expenses | | (3,199,755) | (1,962,269) |
| Finance costs | 8 | (7,332,795) | (5,291,924) |
| **Loss before tax** | 9 | (24,615,792) | (14,405,707) |
| Income tax expenses | 11 | (130,950) | (44,695) |
| **Loss for the financial year** | | (24,746,742) | (14,450,402) |
| **Attributable to:** | | | |
| Owners of the Company | 12 | (22,103,599) | (13,273,331) |
| Non-controlling interests | | (2,643,143) | (1,177,071) |
| | | (24,746,742) | (14,450,402) |
| **Loss per share (in US cents)** | | | |
| Basic | 13 | (12.94) | (7.77) |
| Diluted | 13 | (12.94) | (7.77) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the Financial Year ended 30 April 2015*

| | Group 2015 US$ | Group 2014 US$ |
|---|---|---|
| **Loss for the financial year** | (24,746,742) | (14,450,402) |
| **Other comprehensive income:** | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | 208,431 | 271,149 |
| **Other comprehensive income for the financial year, net of tax** | 208,431 | 271,149 |
| **Total comprehensive loss for the financial year** | (24,538,311) | (14,179,253) |
| **Attributable to:** | | |
| Owners of the Company | (21,922,044) | (13,051,458) |
| Non-controlling interests | (2,616,267) | (1,127,795) |
| | (24,538,311) | (14,179,253) |

## STATEMENTS OF FINANCIAL POSITION

*As at 30 April 2015*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *14* | 73,131,079 | 73,268,248 | – | – |
| Land use rights | *15* | 5,700,716 | 6,133,301 | – | – |
| Goodwill arising on business combinations | *16* | 3,971 | 3,971 | – | – |
| Investment in an associated company | *17* | – | – | – | – |
| Investments in subsidiaries | *18* | – | – | 123,428,581 | 79,460,123 |
| | | 78,835,766 | 79,405,520 | 123,428,581 | 79,460,123 |
| **Current assets** | | | | | |
| Inventories | *19* | 3,919,925 | 16,570,819 | – | – |
| Derivative financial instruments | *20* | 10,878 | – | – | – |
| Trade and other receivables | *21* | 42,373,639 | 40,003,823 | 23,066 | 41,270,813 |
| Cash and cash equivalents | *22* | 33,457,736 | 46,821,487 | 41,109 | 114,939 |
| | | 79,762,178 | 103,396,129 | 64,175 | 41,385,752 |
| **Total assets** | | 158,597,944 | 182,801,649 | 123,492,756 | 120,845,875 |
| **Non-current liabilities** | | | | | |
| Borrowings | *23* | 18,444,863 | – | – | – |
| Deferred income | *24* | 963,660 | 1,310,604 | – | – |
| | | 19,408,523 | 1,310,604 | – | – |
| **Current liabilities** | | | | | |
| Trade and other payables | *25* | 63,450,792 | 71,729,511 | 12,368,502 | 8,911,210 |
| Derivative financial instruments | *20* | – | 37,028 | – | – |
| Borrowings | *23* | 58,820,965 | 68,480,285 | – | – |
| Deferred income | *24* | 309,738 | 294,386 | – | – |
| Tax payable | | 75,763 | 33,361 | – | – |
| | | 122,657,258 | 140,574,571 | 12,368,502 | 8,911,210 |
| **Total liabilities** | | 142,065,781 | 141,885,175 | 12,368,502 | 8,911,210 |
| **Net assets** | | 16,532,163 | 40,916,474 | 111,124,254 | 111,934,665 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2015** | **2014** | **2015** | **2014** |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| **Equity** | | | | | |
| Share capital | *26* | 32,238,531 | 32,238,531 | 108,739,451 | 108,739,451 |
| (Accumulated losses)/retained earnings | | (22,445,708) | (190,481) | (216,158) | 594,253 |
| Foreign currency translation reserve | | 1,439,086 | 1,257,531 | – | – |
| Statutory reserve | *27* | 33,481 | 33,481 | – | – |
| Other reserves | *28* | 2,831,906 | 2,680,278 | 2,600,961 | 2,600,961 |
| Total equity attributable to owners of the Company | | 14,097,296 | 36,019,340 | 111,124,254 | 111,934,665 |
| Non-controlling interests | | 2,434,867 | 4,897,134 | – | – |
| **Total equity** | | 16,532,163 | 40,916,474 | 111,124,254 | 111,934,665 |

## STATEMENTS OF CHANGES IN EQUITY

*For the Financial Year ended 30 April 2015*

| Group | Note | Share capital US$ | Retained earnings/ (Accumulated losses) US$ | Foreign currency translation reserve US$ | Statutory reserve US$ | Other reserves US$ | Total equity attributable to owners of the Company US$ | Non-controlling interests US$ | Total equity US$ |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 May 2013 | | 32,238,531 | 14,306,837 | 1,035,658 | 33,481 | 2,600,961 | 50,215,468 | 1,541,796 | 51,757,264 |
| Transfer to other reserves | | – | (79,317) | – | – | 79,317 | – | – | – |
| Loss for the financial year | | – | (13,273,331) | – | – | – | (13,273,331) | (1,177,071) | (14,450,402) |
| *Other comprehensive income:* | | | | | | | | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | | – | – | 221,873 | – | – | 221,873 | 49,276 | 271,149 |
| Other comprehensive income for the financial year, net of tax | | – | – | 221,873 | – | – | 221,873 | 49,276 | 271,149 |
| Total comprehensive (loss)/ income for the financial year | | – | (13,273,331) | 221,873 | – | – | (13,051,458) | (1,127,795) | (14,179,253) |
| *Distributions to owners of the Company* | | | | | | | | | |
| Dividend paid | 29 | – | (1,352,590) | – | – | – | (1,352,590) | – | (1,352,590) |
| Total distributions to owners of the Company | | – | (1,352,590) | – | – | – | (1,352,590) | – | (1,352,590) |
| *Changes in ownership interests in subsidiaries* | | | | | | | | | |
| Changes in ownership interests in subsidiaries that do not result in loss of control | | – | 207,920 | – | – | – | 207,920 | 4,483,133 | 4,691,053 |
| Total changes in ownership interests in subsidiaries | | – | 207,920 | – | – | – | 207,920 | 4,483,133 | 4,691,053 |
| Total transactions with owners of the Company recognised directly in equity | | – | (1,144,670) | – | – | – | (1,144,670) | 4,483,133 | 3,338,463 |
| Balance at 30 April 2014 | | 32,238,531 | (190,481) | 1,257,531 | 33,481 | 2,680,278 | 36,019,340 | 4,897,134 | 40,916,474 |

| Group | Share capital *US$* | Retained earnings/ (Accumulated losses) *US$* | Foreign currency translation reserve *US$* | Statutory reserve *US$* | Other reserves *US$* | Total equity attributable to owners of the Company *US$* | Non-controlling interests *US$* | Total equity *US$* |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 May 2014 | 32,238,531 | (190,481) | 1,257,531 | 33,481 | 2,680,278 | 36,019,340 | 4,897,134 | 40,916,474 |
| Transfer to other reserves | – | (151,628) | – | – | 151,628 | – | – | – |
| Loss for the financial year | – | (22,103,599) | – | – | – | (22,103,599) | (2,643,143) | (24,746,742) |
| *Other comprehensive income:* | | | | | | | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | – | – | 181,555 | – | – | 181,555 | 26,876 | 208,431 |
| Other comprehensive income for the financial year, net of tax | – | – | 181,555 | – | – | 181,555 | 26,876 | 208,431 |
| Total comprehensive (loss)/ income for the financial year | – | (22,103,599) | 181,555 | – | – | (21,922,044) | (2,616,267) | (24,538,311) |
| *Contribution from a non-controlling interest* | | | | | | | | |
| Capital injection by a non-controlling interest | – | – | – | – | – | – | 154,000 | 154,000 |
| **Balance at 30 April 2015** | 32,238,531 | (22,445,708) | 1,439,086 | 33,481 | 2,831,906 | 14,097,296 | 2,434,867 | 16,532,163 |

| **Company** | *Note* | **Share capital** *US$* | **Retained earnings/ (Accumulated losses)** *US$* | **Other reserve** *US$* | **Total equity** *US$* |
|---|---|---|---|---|---|
| Balance at 1 May 2013 | | 108,739,451 | 2,479,897 | 2,600,961 | 113,820,309 |
| Loss and total comprehensive loss for the financial year | | – | (533,054) | – | (533,054) |
| *Distributions to owners of the Company* | | | | | |
| Dividend paid | *29* | – | (1,352,590) | – | (1,352,590) |
| Total distributions to owners of the Company | | – | (1,352,590) | – | (1,352,590) |
| Total transactions with owners of the Company recognised directly in equity | | – | (1,352,590) | – | (1,352,590) |
| Balance at 30 April 2014 | | 108,739,451 | 594,253 | 2,600,961 | 111,934,665 |
| Loss and total comprehensive loss for the financial year | | – | (810,411) | – | (810,411) |
| **Balance at 30 April 2015** | | **108,739,451** | **(216,158)** | **2,600,961** | **111,124,254** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the Financial Year ended 30 April 2015*

| | | Group | |
|---|---|---|---|
| | | **2015** | **2014** |
| | *Note* | *US$* | *US$* |
| | | | (Restated) |
| **Cash flows from operating activities** | | | |
| Loss before tax | | (24,615,792) | (14,405,707) |
| Adjustments for: | | | |
| Allowance for impairment of other receivables | 9 | 2,505,985 | – |
| Amortisation of deferred income | 6 | (308,133) | (174,707) |
| Amortisation of land use rights | 9 | 133,053 | 89,335 |
| Depreciation of property, plant and equipment | 9 | 3,746,311 | 1,521,052 |
| Fair value (gain)/loss on derivative financial instruments | 9 | (10,878) | 37,028 |
| Impairment of goodwill | 9 | – | 94,155 |
| Interest expenses | | 6,735,627 | 4,730,909 |
| Interest income | 6 | (728,358) | (396,420) |
| Loss on disposal and written off of property, plant and equipment | 9 | 99,113 | 51 |
| Net realised (gain)/loss on derivative financial instruments | 9 | (139,394) | 195,850 |
| Written down of inventories | 9 | 1,209,067 | 616,432 |
| Written off of inventories | 9 | – | 277,136 |
| Written off of receivables | 9 | 81,353 | 313,733 |
| Operating cash flows before movements in working capital | | (11,292,046) | (7,101,153) |
| Inventories | | 11,441,827 | 7,366,543 |
| Trade and other receivables | | (3,725,234) | (6,725,627) |
| Trade and other payables | | (3,551,101) | 10,727,843 |
| Currency translation differences | | (222,650) | 3,172 |
| **Cash (used in)/generated from operations** | | (7,349,204) | 4,270,778 |
| Income tax paid, net | | (32,490) | (8,877) |
| Interest income received | | 728,358 | 396,420 |
| **Net cash (used in)/generated from operating activities** | | (6,653,336) | 4,658,321 |

| | Note | Group 2015 US$ | 2014 US$ (Restated) |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Acquisition of land use rights | *15* | – | (3,070,952) |
| Net cash received/(paid) for realised derivative financial instruments | | 102,366 | (195,850) |
| Proceeds from disposal of property, plant and equipment | | 2,386 | 53,462 |
| Purchase of property, plant and equipment | *A* | (8,515,339) | (10,624,261) |
| Reduction of purchases price for land use rights | *15* | 346,314 | – |
| **Net cash used in investing activities** | | (8,064,273) | (13,837,601) |
| **Cash flows from financing activities** | | | |
| Capital injection by non-controlling interests | | 154,000 | 4,691,053 |
| Dividend paid | *29* | – | (1,352,590) |
| Drawdown of long-term borrowings | | 18,444,863 | 1,960,000 |
| Decrease/(increase) in pledged deposits | | 1,657,714 | (24,863,491) |
| Interest expenses paid | | (6,735,627) | (5,702,316) |
| Net (settlement)/proceeds from short term borrowings and bills payable | | (9,187,260) | 40,079,756 |
| Repayment of long-term borrowings | | (1,320,038) | (2,834,382) |
| **Net cash generated from financing activities** | | 3,013,652 | 11,978,030 |
| **Net (decrease)/increase in cash and cash equivalents** | | (11,703,957) | 2,798,750 |
| Cash and cash equivalents at beginning of the financial year | | 12,780,247 | 9,972,225 |
| Effect of currency translation on cash and cash equivalents | | (2,080) | 9,272 |
| **Cash and cash equivalents at end of the financial year** | *22* | 1,074,210 | 12,780,247 |

**Note A – Purchase of property, plant and equipment (“PPE”)**

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| Aggregate cost of PPE acquired | *14* | 3,202,137 | 27,906,822 |
| Less: Finance costs capitalised | *8* | – | (971,407) |
| | | 3,202,137 | 26,935,415 |
| Less: Advance payment for PPE at 1 May | *21* | (1,310,913) | (22,706,738) |
| Add: Advance payment for PPE at 30 April | *21* | 2,542,833 | 1,310,913 |
| Add: Payables for PPE at 1 May | *25* | 5,724,174 | 10,808,845 |
| Less: Payables for PPE at 30 April | *25* | (1,642,892) | (5,724,174) |
| Net cash outflow for purchase of PPE | | 8,515,339 | 10,624,261 |

## NOTES TO THE FINANCIAL STATEMENTS

*For the Financial Year ended 30 April 2015*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. GENERAL

NOVO GROUP LTD. (the "**Company**") is a limited liability company incorporated in Singapore ("**SG**") on 29 June 1989 under the Singapore Companies Act (Chapter 50) (the "**Companies Act**") and its shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited since 28 April 2008 and dual-listed on the Main Board of The Stock Exchange of Hong Kong Limited since 6 December 2010. The immediate and ultimate holding company is New Page Investments Limited, a company incorporated in the British Virgin Islands ("**BVI**").

The registered office of the Company is at 20 Malacca Street, #06-00 Malacca Centre, Singapore 048979. The headquarter and principal place of business of the Group is at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong ("**HK**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 18.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Going concern

The Group incurred a net loss of US$24,746,742 (2014: US$14,450,402) and reported net cash outflows from operating activities of US$6,653,336 (2014: net cash inflows of US$4,658,321) during the financial year ended 30 April 2015. As at that date, the Group's current liabilities exceeded its current assets by US$42,895,080 (2014: $37,178,442).

As disclosed in Note 23, the Group breached the financial covenants of certain borrowings during the financial year. In addition, the Group has also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates and the balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683.

As disclosed in Note 14, a subsidiary within the tinplate manufacturing segment has suspended its operations during the financial year and yet to resume its operations as of the date of this report.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis as the Directors are satisfied that:

(i) The continuing financial support from the immediate and ultimate holding company to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period;

(ii) The banking facilities from its bankers for its working capital requirements for the next twelve months will be available as and when required; and

(iii) The Group is able to generate sufficient cash flows from its operations to meet its current and future obligations.

Management has taken the following measures to improve the Group's operational performance and financial position:

(i) Adopting a disciplined capital allocation and constantly review capital expenditure plans thoroughly as to manage a balanced project portfolio to mitigate risks and optimise profitability for all existing projects;

(ii) Strengthening current customers' base with a focus on high growth potential markets in food and beverage sector, and strengthen customer relationship by providing quality products and services and engineering solutions to customers;

(iii) Continuously seeking improvements in the production efficiency of the Group's production facilities through technological enhancements and system re-engineering in order to further reduce the costs of production;

(iv) Focusing on cost reduction while exploring all the opportunities to increase the sales volume of trading business and tinplate products, as to achieve operational efficiency by fully utilise the capacity of the tinplate manufacturing plant; and

(v) Enhancing the research and development capabilities with the aims to expand the expertise in tinplate production, improving tinplate quality and bolster manufacturing capabilities by adding high-margin products to the product portfolio.

After considering the measures taken described above, the Group believes that it has adequate resources and can cut cost to continue its operations as a going concern. For these reasons, the Group continues to adopt the going concern assumption in the preparation of the financial statements.

The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

**(b) Basis of preparation**

The financial statements are presented in United States Dollar ("**USD**" or "**US$**") which is the Company's functional currency, have been prepared in accordance with the provisions of the Companies Act and Singapore Financial Reporting Standards ("**FRS**"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("**INT FRS**") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial performance or position of the Group and the Company except as disclosed below:

*FRS 112 Disclosures of Interests in Other Entities*

The Group adopted FRS 112 on 1 May 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements previously found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has incorporated the additional required disclosures of FRS 112 into the financial statements.

*FRS 110 Consolidated Financial Statements*

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This change had no significant impact on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 30 April 2015 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

*FRS 109 Financial Instruments*

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

**(c) Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of sales related taxes, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

*Sales of goods*

Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

*Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**(e) Associated companies**

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investment in an associated company is accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investment in an associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated company's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associated company of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associated company is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

**(f) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(g). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

**(g) Goodwill**

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

**(h) Property, plant and equipment**

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

***Depreciation***

Depreciation is calculated on a straight-line basis to write off the cost of the property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

| | **No. of years** |
|---|---|
| Leasehold land and buildings | 20 to 50 |
| Plant and machinery | 5 to 35 |
| Furniture, fixtures and computer equipment | 3 to 20 |
| Motor vehicles | 5 |
| Renovation | 5 |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Construction work-in-progress in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**(i) Land use rights**

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights are amortised on a straight line basis over the remaining years of rights allocated to use the land of 46 to 50 years.

The amortisation period and amortisation method of land use rights are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

**(j) Impairment of non-financial assets excluding goodwill**

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

**(k) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase cost on weighted average basis.

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excludes borrowing costs. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

**(l) Operating leases**

*(i) When a Group entity is the lessee*

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

*(ii) When a Group entity is the lessor*

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term.

**(m) Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

**(n) Financial assets**

Classification

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are fair value through profit or loss and loans and receivables.

Financial assets, at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables (excluding prepayments and advance payments)" and "cash and cash equivalents" on the statement of financial position.

*Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

*Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised as expenses.

*Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial year in which the changes in fair values arise.

*Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

**(o) Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, unsecured demand deposits and fixed deposits which are subject to an insignificant risk of changes in value and excludes pledged cash at bank and fixed deposits.

**(p) Financial liabilities**

Financial liabilities include trade and other payables (excluding sales deposits received), borrowings and derivative financial instruments.

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

**(q) Financial guarantees**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction cost. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

**(r) Derivative financial instruments**

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

**(s) Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**(t) Provisions for liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

**(u) Contingencies**

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statements of financial position of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**(v) Borrowing costs**

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

**(w) Employee benefits**

*Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

*Defined contribution plans*

The Group participates in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For employees in Singapore, defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

The employees in the People's Republic of China (the "**PRC**") are members of the retirement benefit scheme organised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred.

*End of service benefit liability*

For employees in the United Arab Emirates ("**UAE**"), the Group computes the provision for liability on employees' end of service benefits assuming that all employees were to leave as of the end of the reporting period. These provisions are computed pursuant to the UAE Federal Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of the reporting period.

**(x) Foreign currencies**

*Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The financial statements of the Group and the Company are presented in USD, which is the Company's functional currency.

*Transactions and balances*

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

*Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

**(y) Dividend**

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

**(z) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the expense that it is intended to compensate.

**(aa) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of operating segments.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical judgments in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations).

*Functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that sales prices and the entities' cost base are mainly denominated and settled in the respective local currency of the entities of the Group except for certain entities incorporated in Singapore and Hong Kong which are mainly denominated and settled in the United States Dollar. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency, other than those entities incorporated in Singapore and Hong Kong, whose functional currency is United States Dollar.

*Investment in subsidiary*

Management has assessed and concluded that the Group has control over TIANJIN SHIFA NOVO TECHNOLOGY DEVELOPMENT LIMITED ("**TIANJIN SHIFA**"), although the Group owns 50% of the voting rights in TIANJIN SHIFA. This is because the Group hold majority representative of the board of directors of TIANJIN SHIFA, that provides the Group the current ability to direct the relevant activities of TIANJIN SHIFA. Accordingly, the Group has accounted for this investment as its subsidiary and consolidated the subsidiary's financial statements in the Group.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

*Property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2(h). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage.

Any changes in the expected useful lives of these assets would affect the carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

The carrying amount of property, plant and equipment at 30 April 2015 and the depreciation charge for the financial year ended 30 April 2015 are disclosed in Note 14.

*Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for property, plant and equipment and land use rights in accordance with the accounting policy in Note 2(j). An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These value-in-use calculations require the use of considerable judgments, estimates and assumptions. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amount of the property, plant and equipment and land use rights.

Based on management's assessment, no allowance for impairment loss on property, plant and equipment and land use rights is necessary at the end of the reporting period.

The net carrying values of the Group's property, plant and equipment and land use rights at the end of the reporting period are disclosed in Notes 14 and 15 respectively.

*Impairment of investments in subsidiaries*

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of those investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and an appropriate discount rate in order to calculate the present value of the future cash flows. The value-in-use calculation requires the use of considerable judgments, estimates and assumptions. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amount of investments in subsidiaries.

Based on management's assessment, no allowance for impairment loss on investments in subsidiaries is necessary at the end of the reporting period.

The carrying amount of the Company's investments in subsidiaries at the end of the reporting period is disclosed in Note 18.

*Allowance for doubtful receivables for trade and other receivables*

The Group assesses the recoverability of trade and other receivables at the end of each reporting period. Allowance for doubtful debts are required when there are events or changes in circumstances which indicate that the trade and other receivables balances may not be collectible. The identification of doubtful debts requires the use of estimations in assessing the recoverability of the debts based on the past collection trends from each debtor and the ageing of the past due amounts. The Group assessed that there is significant doubt in its ability to collect certain long outstanding debts and accordingly, an allowance for doubtful debts was made on these balances.

Since the Group cannot predict with certainty the collection of the long outstanding debts from the debtors, where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

An impairment loss of US$2,505,985 on the Group's other receivables has been recognised in the Group's profit or loss during the financial year.

The carrying amounts of the Group's and Company's trade and other receivables at the end of the reporting period and allowance for doubtful receivables charged to profit or loss during the financial year are disclosed in Note 21.

*Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable as at 30 April 2015 was US$75,763 (2014: US$33,361).

## 4. RELATED PARTY TRANSACTIONS

**(a)** In addition to information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

| | | Group | |
|---|---|---|---|
| | | **2015** | **2014** |
| | *Note* | *US$* | *US$* |
| Office rental expenses paid to a related party | *(i)* | 117,231 | 117,231 |
| Sales of goods to a related party | *(ii)* | 16,305,629 | 10,937,496 |
| Purchases of goods from a related party | *(ii)* | – | 207,477 |
| Loan interest paid to a director | *(iii)* | 5,159 | – |
| Loan interest paid to a related party | *(iii)* | 3,150 | – |
| Loan interest paid to ultimate holding company | *(iii)* | 75,708 | – |

(i) Office rental expenses paid to a related party, Jackful Investment Limited, on a fixed fee mutually agreed and charged on monthly basis since 2007. Mr. Yu Wing Keung, Dicky (a director of the Company) has a substantial interest in the issued share capital of Jackful Investment Limited.

(ii) Sales and purchases of goods to and from a related party related to the trading of tinplate products. The related party refers to a company controlled by an entity having a significant influence on a subsidiary.

(iii) Loan interest paid to a director, a related party and ultimate holding company are made at normal commercial terms. The related party refers to a company controlled by the controlling shareholders of the ultimate holding company.

*Note:* Intra-group transactions that have been eliminated in the consolidated financial statements are not disclosed as related party transactions above.

**(b) Compensation of directors and key management personnel of the Group:**

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Directors' fees | 91,226 | 92,873 |
| Salaries and bonuses | 1,359,383 | 1,466,543 |
| Contributions to defined contribution plans | 29,876 | 28,294 |
| | 1,480,485 | 1,587,710 |
| Comprise amounts paid to: | | |
| – Directors of the Company | 920,454 | 921,042 |
| – Other key management personnel | 560,031 | 666,668 |
| | 1,480,485 | 1,587,710 |

Further details of the directors' remuneration are included in Note 10.

## 5. REVENUE

| | Group 2015 | Group 2014 |
|---|---|---|
| | *US$* | *US$* |
| Sales of goods: | | |
| – Sales of iron ore, coal and steel products | 193,105,499 | 196,770,397 |
| – Tinplate manufacturing | 32,751,054 | 44,151,295 |
| – Tinplate processing | 22,705,531 | 32,076,533 |
| | 248,562,084 | 272,998,225 |

## 6. OTHER INCOME

| | Group 2015 | Group 2014 |
|---|---|---|
| | *US$* | *US$* |
| Amortisation of deferred income *(Note 24)* | 308,133 | 174,707 |
| Interest income | 728,358 | 396,420 |
| Demurrage income | 131,801 | 389,391 |
| Freight income | 272,928 | 542,642 |
| Government grants | 401,417 | 1,191,787 |
| Net compensation received | 145,401 | 380,888 |
| Sundry income | 234,443 | 250,855 |
| | 2,222,481 | 3,326,690 |

## 7. DISTRIBUTION AND SELLING EXPENSES

| | Group 2015 | Group 2014 |
|---|---|---|
| | *US$* | *US$* |
| Distribution agency fees | 1,426,161 | 1,495,182 |
| Freight charges | 2,489,012 | 4,056,910 |
| Port handling charges | 43,377 | 250,299 |
| Others | 210,526 | 341,046 |
| | 4,169,076 | 6,143,437 |

## 8. FINANCE COSTS

| | Group 2015 | 2014 |
|---|---|---|
| | *US$* | *US$* |
| Bank charges | 597,168 | 561,015 |
| Interest on bank borrowings | 6,651,610 | 5,702,316 |
| Interest on other borrowings | 84,017 | – |
| | 7,332,795 | 6,263,331 |
| Less: Finance costs capitalised into construction work-in-progress *(Note 14)* | – | (971,407) |
| | 7,332,795 | 5,291,924 |

## 9. LOSS BEFORE TAX

Loss before tax is determined after charging/(crediting):

| | Group 2015 | 2014 |
|---|---|---|
| | *US$* | *US$* |
| Audit fees paid to: | | |
| – auditor of the Company | 83,474 | 87,802 |
| – other auditors * | 133,020 | 104,860 |
| Non-audit fees paid to: | | |
| – auditor of the Company | 8,560 | 7,300 |
| – other auditors * | 3,628 | 52 |
| Allowance for impairment of other receivables *(Note 21)* | 2,505,985 | – |
| Amortisation of land use rights *(Note 15)* | 133,053 | 89,335 |
| Depreciation of property, plant and equipment *(Note 14)* | 3,746,311 | 1,521,052 |
| Fair value (gain)/loss on derivative financial instruments | (10,878) | 37,028 |
| Impairment of goodwill *(Note 16)* | – | 94,155 |
| Loss on disposal and written off of property, plant and equipment | 99,113 | 51 |
| Material costs recognised as an expense in cost of sales | 237,109,498 | 259,366,997 |
| Net foreign exchange gains | (365,025) | (67,983) |
| Net realised (gain)/loss on derivative financial instruments | (139,394) | 195,850 |
| Rental expenses | 253,441 | 303,574 |
| Staff costs *(Note 10)* | 6,956,711 | 7,279,939 |
| Written down of inventories | 1,209,067 | 616,432 |
| Written off of inventories | – | 277,136 |
| Written off of receivables | 81,353 | 313,733 |

* Includes independent member firms of the Baker Tilly International network.

## 10. STAFF COSTS

| | Group 2015 US$ | 2014 US$ |
|---|---|---|
| Staff costs (including directors' remuneration) | | |
| – Salaries, wages and other benefits | 6,437,666 | 6,681,406 |
| – Contributions to defined contribution plans | 519,045 | 598,533 |
| | 6,956,711 | 7,279,939 |

**(a)** Fees paid to independent non-executive Directors during the financial year were as follows:

| | Group 2015 US$ | 2014 US$ |
|---|---|---|
| Tang Chi Loong | 33,300 | 34,105 |
| Foo Teck Leong | 34,849 | 35,691 |
| Tse To Chung, Lawrence | 23,077 | 23,077 |
| | 91,226 | 92,873 |

There were no other emoluments payable to the independent non-executive Directors during the financial years ended 30 April 2015 and 2014.

**(b) Remuneration of executive Directors**

| | Fees US$ | Salaries and benefits in-kind US$ | Defined contribution plans US$ | Total remuneration US$ |
|---|---|---|---|---|
| **Group** | | | | |
| **2015** | | | | |
| Yu Wing Keung, Dicky | – | 320,000 | 2,276 | 322,276 |
| Chow Kin Wa | – | 256,000 | 2,276 | 258,276 |
| Chow Kin San | – | 246,400 | 2,276 | 248,676 |
| | – | 822,400 | 6,828 | 829,228 |
| **2014** | | | | |
| Yu Wing Keung, Dicky | – | 320,000 | 1,923 | 321,923 |
| Chow Kin Wa | – | 256,000 | 1,923 | 257,923 |
| Chow Kin San | – | 246,400 | 1,923 | 248,323 |
| | – | 822,400 | 5,769 | 828,169 |

There were no arrangements under which a Director waived or agreed to waive any remuneration during the financial years ended 30 April 2015 and 2014.

During the financial years ended 30 April 2015 and 2014, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

**(c) Five highest paid employees**

The five highest paid employees in the Group for the financial year included three (2014: three) Directors, details of whose remuneration are set out in Note 10(b) above. Details of the remaining two (2014: two) non-directors highest paid employees for the financial year are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Salaries and bonus | 312,491 | 440,310 |
| Contributions to defined contribution plans | 12,438 | 11,734 |
| | 324,929 | 452,044 |

The numbers of non-director, highest paid employees whose remuneration fell within the following bands are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Over HKD2,000,000 | – | 1 |
| HKD1,500,001 to below HKD2,000,000 | 1 | 1 |
| HKD1,000,001 to below HKD1,500,000 | 1 | – |
| HKD500,001 to below HKD1,000,000 | – | – |
| | 2 | 2 |

During the financial years ended 30 April 2015 and 2014, no remuneration was paid by the Group to the five individuals with the highest remuneration in the Group as an inducement to join or upon joining the Group or as a compensation for loss of office.

## 11. INCOME TAX EXPENSES

Income tax expenses attributable to loss is made up of:

| | Group 2015 US$ | 2014 US$ |
|---|---|---|
| Current tax – SG | | |
| Under/(over) provision in prior years | 15,583 | (3,942) |
| Current tax – HK | | |
| Under provision in prior years | 9,589 | – |
| Current tax – PRC | | |
| Provision for the financial year | – | 48,953 |
| Under/(over) provision in prior years | 105,778 | (316) |
| | 130,950 | 44,695 |

The income tax expenses on the results of the financial year differs from the amount of income tax determined by applying the applicable corporate income tax rate due to the following factors:

| | Group 2015 US$ | 2014 US$ |
|---|---|---|
| Loss before tax | (24,615,792) | (14,405,707) |
| Tax at the domestic rates applicable to profits/(losses) in the countries where the Group operates | (5,496,234) | (2,311,680) |
| Expenses not deductible for tax purpose | 603,005 | 129,723 |
| Income not subject to tax | (284,489) | (266,604) |
| Deferred tax assets not recognised | 5,196,569 | 2,492,700 |
| Under/(over) provision of tax in prior years | 130,950 | (4,258) |
| Utilisation of previously unrecognised tax losses | (17,495) | – |
| Others | (1,356) | 4,814 |
| Income tax expenses | 130,950 | 44,695 |

No provision for Singapore income tax has been made as the Group has no assessable profits for the financial years ended 30 April 2015 and 2014.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the financial years ended 30 April 2015 and 2014.

Taxes on profits assessable in the PRC has been calculated at 25% (2014: 25%) for the financial years ended 30 April 2015 and 2014.

Pursuant to the rules and regulations of the BVI and Dubai United Arab Emirates, the Group is not subject to any income tax in these jurisdictions.

**Unrecognised deferred tax assets**

At the end of the reporting period, the Group has unrecognised tax losses of US$39,561,000 (2014: US$18,478,000) that are available for carry forward to offset against future taxable income of the companies in which the tax losses arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax asset of US$8,934,000 (2014: US$3,814,000) has not been recognised in respect of these tax losses as it is not probable that future taxable profits/income in these companies will be available and sufficient to allow the related tax benefits to be realised in the foreseeable future.

## 12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss attributable to owners of the Company for the financial year ended 30 April 2015 includes the Company's loss of US$810,411 (2014: US$533,054) which has been dealt with in the financial information of the Company.

## 13. LOSS PER SHARE

Basic and diluted loss per share is calculated based on the Group's loss for the financial year attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding during the financial years ended 30 April 2015 and 2014.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Loss attributable to owners of the Company | (22,103,599) | (13,273,331) |

| | Number of ordinary shares | |
|---|---|---|
| | **2015** | **2014** |
| | *'000* | *'000* |
| Weighted average number of ordinary shares | 170,804 | 170,804 |

There were no potentially dilutive ordinary shares in existence during the financial years ended 30 April 2015 and 2014 and therefore the diluted loss per share amounts for those years were the same as the basic loss per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land and buildings US$ | Plant and machinery US$ | Furniture, fixtures and computer equipment US$ | Motor vehicles US$ | Renovation US$ | Construction work-in-progress US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| **Cost** | | | | | | | |
| At 1.5.2014 | 18,146,000 | 52,204,719 | 449,090 | 1,083,085 | 164,296 | 4,011,519 | 76,058,709 |
| Additions | 671,844 | 1,192,458 | 6,858 | – | – | 1,330,977 | 3,202,137 |
| Disposals/written off | – | – | (23,123) | – | (17,717) | (72,074) | (112,914) |
| Reclassification | (2,388,507) | 2,879,353 | 273,898 | – | – | (764,744) | – |
| Exchange realignment | 78,608 | 437,625 | 5,696 | 5,649 | 224 | 12,097 | 539,899 |
| **At 30.4.2015** | 16,507,945 | 56,714,155 | 712,419 | 1,088,734 | 146,803 | 4,517,775 | 79,687,831 |
| **Accumulated depreciation** | | | | | | | |
| At 1.5.2014 | 1,153,318 | 686,720 | 242,065 | 602,161 | 106,197 | – | 2,790,461 |
| Charge for the financial year | 612,172 | 2,698,265 | 201,049 | 212,508 | 22,317 | – | 3,746,311 |
| Disposals/written off | – | – | (8,058) | – | (3,357) | – | (11,415) |
| Exchange realignment | 4,990 | 17,011 | 5,208 | 4,052 | 134 | – | 31,395 |
| **At 30.4.2015** | 1,770,480 | 3,401,996 | 440,264 | 818,721 | 125,291 | – | 6,556,752 |
| **Net carrying value** | | | | | | | |
| At 30.4.2015 | 14,737,465 | 53,312,159 | 272,155 | 270,013 | 21,512 | 4,517,775 | 73,131,079 |
| **2014** | | | | | | | |
| **Cost** | | | | | | | |
| At 1.5.2013 | 7,420,604 | – | 339,637 | 1,078,509 | 150,329 | 39,047,662 | 48,036,741 |
| Additions | – | 291,472 | 103,086 | 262,939 | 18,075 | 27,231,250 | 27,906,822 |
| Disposals/written off | – | – | – | (265,282) | (4,419) | – | (269,701) |
| Reclassification | 10,708,949 | 51,892,351 | – | – | – | (62,601,300) | – |
| Exchange realignment | 16,447 | 20,896 | 6,367 | 6,919 | 311 | 333,907 | 384,847 |
| At 30.4.2014 | 18,146,000 | 52,204,719 | 449,090 | 1,083,085 | 164,296 | 4,011,519 | 76,058,709 |
| **Accumulated depreciation** | | | | | | | |
| At 1.5.2013 | 674,761 | – | 145,373 | 573,211 | 85,531 | – | 1,478,876 |
| Charge for the financial year | 477,387 | 688,005 | 96,375 | 234,268 | 25,017 | – | 1,521,052 |
| Disposals/written off | – | – | – | (211,769) | (4,419) | – | (216,188) |
| Exchange realignment | 1,170 | (1,285) | 317 | 6,451 | 68 | – | 6,721 |
| **At 30.4.2014** | 1,153,318 | 686,720 | 242,065 | 602,161 | 106,197 | – | 2,790,461 |
| **Net carrying value** | | | | | | | |
| At 30.4.2014 | 16,992,682 | 51,517,999 | 207,025 | 480,924 | 58,099 | 4,011,519 | 73,268,248 |

The Group's construction work-in-progress included finance costs arising from bank loan borrowed specifically for the purpose of the construction of tinplate manufacturing plant in Jiangsu, the PRC. During the financial year ended 30 April 2014, the finance costs capitalised as cost of construction work-in-progress amounted to US$971,407. The interest rate used to determine the amount of finance costs eligible for capitalisation were ranged from 5.2% to 5.3% per annum, which were the effective interest rate of the specific borrowings. There is no finance costs capitalised for the financial year ended 30 April 2015.

During the financial year, a subsidiary within the tinplate manufacturing segment has suspended its operations and yet to resume its operations as of the date of this report. The property, plant and equipment relating to this subsidiary amounted to US$58,527,696.

At the end of the reporting period, property, plant and equipment with the following net carrying values are pledged to certain banks for banking facilities granted (Note 23):

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Leasehold land and buildings | 11,410,942 | 13,279,716 |
| Construction work-in-progress | 1,839,285 | 439,549 |
| Plant and machinery | 52,987,816 | 51,244,662 |
| | 66,238,043 | 64,963,927 |

The analysis of net carrying value of leasehold land and buildings is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Long leasehold land and building in HK | 5,019,408 | 5,150,078 |
| Long leasehold land and building in Shanghai, the PRC | 1,326,477 | 1,398,483 |
| Long leasehold buildings in Jiangsu, the PRC | 5,065,057 | 6,731,155 |
| Long leasehold building in Tianjin, the PRC | 3,326,523 | 3,712,966 |
| | 14,737,465 | 16,992,682 |

### 15. LAND USE RIGHTS

| | Group 2015 US$ | Group 2014 US$ |
|---|---|---|
| **Cost** | | |
| At 1 May | 6,378,751 | 3,245,667 |
| Additions during the financial year | – | 3,070,952 |
| Reduction of purchase price | (346,314) | – |
| Exchange realignment | 49,111 | 62,132 |
| At 30 April | 6,081,548 | 6,378,751 |
| **Accumulated amortisation** | | |
| At 1 May | 245,450 | 154,819 |
| Amortisation for the financial year *(Note 9)* | 133,053 | 89,335 |
| Exchange realignment | 2,329 | 1,296 |
| At 30 April | 380,832 | 245,450 |
| **Net carrying value** | | |
| At 30 April | 5,700,716 | 6,133,301 |
| **Amount to be amortised** | | |
| – Not later than one financial year | 133,054 | 104,191 |
| – Later than one financial year but not later than five financial years | 532,216 | 416,763 |
| – Later than five financial years | 5,035,446 | 5,612,347 |
| | 5,700,716 | 6,133,301 |

The details of the land use rights at 30 April 2015 are as follows:

| **Location** | **Lease period** | **Land area (square metres)** |
|---|---|---|
| Tianjin, the PRC | November 2009 to September 2059 | 25,000.00 |
| Xinghua City, Jiangsu, the PRC | July 2011 to February 2058 | 26,669.60 |
| Xinghua City, Jiangsu, the PRC | August 2011 to February 2058 | 23,288.00 |
| Xinghua City, Jiangsu, the PRC | January 2012 to January 2062 | 10,019.70 |
| Xinghua City, Jiangsu, the PRC | January 2012 to January 2062 | 15,655.60 |
| Xinghua City, Jiangsu, the PRC | April 2013 to January 2063 | 21,673.60 |
| Xinghua City, Jiangsu, the PRC | January 2014 to June 2063 | 21,677.60 |
| Xinghua City, Jiangsu, the PRC | January 2014 to June 2063 | 22,534.00 |
| Xinghua City, Jiangsu, the PRC | April 2014 to June 2063 | 7,998.40 |
| Xinghua City, Jiangsu, the PRC | April 2014 to February 2058 | 19,632.50 |

At the end of the reporting period, land use rights with net carrying value of US$3,393,502 (2014: US$2,708,901) are pledged to certain banks for banking facilities granted (Note 23).

## 16. GOODWILL ARISING ON BUSINESS COMBINATIONS

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Balance at beginning of financial year | 3,971 | 98,126 |
| Impairment loss charged to profit or loss *(Note 9)* | – | (94,155) |
| Balance at end of financial year | 3,971 | 3,971 |

During the financial year ended 30 April 2014, the Group impaired goodwill of US$94,155 relating to a subsidiary in the PRC whom principal activities are wholesale, import/export of steel products and coal because of unfavourable business performance of this subsidiary. The impairment charged was included within "Administrative Expenses" in the consolidated income statement for the financial year ended 30 April 2014.

## 17. INVESTMENT IN AN ASSOCIATED COMPANY – GROUP

Details of the associated company are as follows:

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2015 % | 2014 % |
|---|---|---|---|---|---|
| **Held by GLOBAL WEALTH TRADING LIMITED** | | | | | |
| RICO GROUP LIMITED [#(a)] | BVI | US$100 | Investment holding | – | 30 |

[#] not required to be audited in the country of incorporation

[(a)] struck off from the register during the financial year

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company 2015 | Company 2014 |
|---|---|---|
| | *US$* | *US$* |
| *Unquoted equity shares, at cost* | | |
| **Cost** | | |
| Balance at beginning of financial year | 79,460,123 | 79,588,337 |
| Acquisition of a new subsidiary | – | 1 |
| Written off during the financial year | – | (128,215) |
| Balance at end of financial year | 79,460,123 | 79,460,123 |
| Amounts due from subsidiaries | 43,968,458 | – |
| | 123,428,581 | 79,460,123 |

At the end of the reporting period, management considered that total receivables from subsidiaries amounting to US$43,968,458 are quasi-equity loans, and reclassified them from trade and other receivables (Note 21) and included in investments in subsidiaries. The quasi-equity loans have no repayment terms and are repayable only when cash flows of the subsidiaries permit. Accordingly, the amounts are stated at cost.

**(a) Details of subsidiaries are as follows:**

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2015 | 2014 |
|---|---|---|---|---|---|
| | | | | % | % |
| **Held by the Company** | | | | | |
| NOVO COMMODITIES LIMITED ** | HK | HKD8,000,000 | Trading and investment | 100 | 100 |
| NOVA MARITIME (B.V.I.) LIMITED # | BVI | US$10 | Shipping brokerage | 100 | 100 |
| NOVO OVERSEAS HOLDINGS PTE. LTD. * | SG | SGD200,000 | Investment holding | 100 | 100 |
| NOVO COMMODITIES PTE. LTD. * | SG | SGD200,000 | Trading and investment | 100 | 100 |
| GLOBAL WEALTH TRADING LIMITED # | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Development Limited # | BVI | US$10 | Investment holding | 100 | 100 |
| Iron Shipping Limited #(b) | BVI | US$10 | Shipping brokerage | – | 100 |
| Novo Management Services Limited ** | HK | HKD1 | Investment holding and provision of management services | 100 | 100 |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2015 % | 2014 % |
|---|---|---|---|---|---|
| NOVO COAL PTE. LTD.* | SG | SGD1 | Investment holding | 100 | 100 |
| EAST OASIS TRADING LIMITED @@ | HK | HKD10 | Trading | 100 | 100 |
| **Held by NOVO COMMODITIES LIMITED (HK)** | | | | | |
| NOVO COMMODITIES PRIVATE LIMITED @ | India | Rupee10,00,000 | Trading and investment | 100 | 100 |
| **Held by GLOBAL WEALTH TRADING LIMITED** | | | | | |
| Qiang Hua Trading Limited @@ | HK | HKD10 | Trading and investment | 100 | 100 |
| **Held by Novo Development Limited (BVI)** | | | | | |
| Novo Development Limited @@ | HK | HKD10 | Investment holding | 100 | 100 |
| **Held by Qiang Hua Trading Limited** | | | | | |
| Qiang Hua (Shanghai) Trading Limited ***^^Δ | The PRC | RMB20,000,000 | Trading and investment | 80 | 80 |
| **Held by Novo Development Limited (HK) & Qiang Hua Trading Limited (HK) (in trust of Novo Development Limited (HK))** | | | | | |
| TIANJIN SHIFA NOVO TECHNOLOGY DEVELOPMENT LIMITED @^^ | The PRC | US$8,570,000 | Process and sales of steel and metal products | 50 | 50 |
| **Held by NOVO OVERSEAS HOLDINGS PTE. LTD.** | | | | | |
| Novosteel DMCC **** | United Arab Emirates | AED200,000 | Trading | 100 | 100 |
| Novo Commodities PTE Ltd # | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Steel Limited # | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Shipping Ltd # | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Investment Limited # | BVI | US$10 | Investment holding | 100 | 100 |
| Novo ETP Limited # | BVI | US$10 | Investment holding | 100 | 100 |
| Novo Power Limited @@ | HK | HKD10 | Investment holding | 100 | 100 |
| **Held by NOVO OVERSEAS HOLDINGS PTE. LTD. & NOVO COAL PTE. LTD.** | | | | | |
| PT. NOVO COAL @ | Indonesia | US$500,000 | Trading | 100 | 100 |
| **Held by Novo Investment Limited (BVI)** | | | | | |
| NOVO INVESTMENT LIMITED** | HK | HKD10,000 | Investment holding | 100 | 100 |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2015 % | 2014 % |
|---|---|---|---|---|---|
| **Held by NOVO INVESTMENT LIMITED (HK)** | | | | | |
| Qingdao Novo Port Investment Logistic Limited @^Δ | The PRC | RMB6,348,200 | Warehousing and wholesaling | 100 | 100 |
| **Held by Novo Steel Limited (BVI)** | | | | | |
| Novo Steel (HK) Limited** | HK | HKD1,000,000 | Trading and investment | 51 | 51 |
| **Held by Novo Shipping Ltd (BVI)** | | | | | |
| EASTERN BULK PTE. LTD.(a) | SG | SGD1,000,000 | Shipping brokerage | (c) | (c) |
| **Held by Qiang Hua (Shanghai) Trading Limited Δ** | | | | | |
| Hua Qiang (Shanghai) Trading Limited***^^^Δ | The PRC | RMB5,000,000 | Trading and investment | 80 | 80 |
| **Held by Hua Qiang (Shanghai) Trading LimitedΔ** | | | | | |
| Taizhou Hua Yong Trading Limited ***^^^Δ(d) | The PRC | RMB5,000,000 | Trading | 80 | 80 |
| **Held by Novo ETP Limited (BVI)** | | | | | |
| Novo ETP Limited @@ | HK | HKD10 | Investment holding | 100 | 100 |
| Novo Investment and Development Limited @@ | HK | HKD10 | Investment holding | 100 | 100 |
| Novo Lamination Limited @@ | HK | HKD10 | Investment holding | 100 | 100 |
| Wah Shun Storage Limited @@ | HK | HKD10 | Investment holding | 100 | 100 |
| **Held by Novo ETP Limited (HK)** | | | | | |
| Novowell ETP Limited ***^^Δ | The PRC | US$20,580,000 | Manufacturing, distribution, import and export, technology consultancy and development | 95 | 95 |
| Novowell International Trading (Shanghai) Company Limited ***^ | The PRC | US$1,000,000 | Wholesale, import and export | 100 | 100 |
| **Held by Wah Shun Storage Limited (HK)** | | | | | |
| Xing Hua City Daduo Sewage Treatment Co., Ltd ***^^^Δ(e) | The PRC | RMB7,000,000 | Sewage Treatment | 57 | 57 |
| Wah Shun Storage (Taizhou) Limited ***^ | The PRC | US$199,990 | General storage, property service and corporate management consultancy | 100 | 100 |

| Name of company | Place of incorporation | Particulars of issued and paid-up capital | Principal activities | Percentage of effective equity interest held by the Group 2015 % | 2014 % |
|---|---|---|---|---|---|
| **Held by Wah Shun Storage (Taizhou) Limited** | | | | | |
| Taizhou Hua Yong Storage Limited ***^Δ | The PRC | RMB40,000,000 | General storage, property service and corporate management consultancy | 100 | 100 |
| **Held by Novo Management Services Limited (HK)** | | | | | |
| Novo Commodities Limited# | Republic of Seychelles | US$1 | Investment holding | 100 | 100 |
| Nova Maritime Limited #(a) | Republic of Seychelles | US$1 | Shipping brokerage | 100 | 100 |
| **Held by Novo Power Limited (HK)** | | | | | |
| Guang Dong Yong Peng Import and Export Trading Co., Ltd ^^Δ | The PRC | RMB10,000,000 | Wholesale, import and export | 51 | 51 |
| **Held by Novo Lamination Limited (HK)** | | | | | |
| Novowell Lamination Technology (Taizhou) Limited ***^^^^ | The PRC | US$4,100,000 | Manufacturing, sales and distribution | 90.1 | 90.1 |

* audited by Baker Tilly TFW LLP
** audited by Baker Tilly Hong Kong Limited
*** audited by Baker Tilly China
**** audited by Baker Tilly JFC
@ audited by other Certified Public Accountants
@@ audited by Y.K. Yu & Co
# not required to be audited in the country of incorporation
^ registered as a wholly-owned foreign enterprise under the PRC laws
^^ registered as a sino-foreign joint venture under the PRC laws
^^^ registered as a local enterprise under the PRC laws
^^^^ registered as a partially-owned foreign enterprise under the PRC laws
Δ unofficial English translation
(a) in the process of striking off from the register
(b) struck off from the register during the financial year
(c) Oscar Maritime International Ltd., 30% shareholder of EASTERN BULK PTE. LTD. was struck off from the register (the "**Struck Off**") on 1 January 2014. Before the Struck Off, Novo Shipping Ltd. was 70% shareholder of EASTERN BULK PTE. LTD.
(d) during the financial year, investment in Taizhou Hua Yong Trading Limited was transferred to Taizhou Hua Yong Storage Limited, which is held in trust for Hua Qiang (Shanghai) Trading Limited
(e) during the financial year, investment in Xing Hua City Daduo Sewage Treatment Co., Ltd was transferred from Taizhou Hua Yong Trading Limited to Taizhou Hua Yong Storage Limited, which is held as to 57% in trust for Wah Shun Storage Limited and 3% in trust for a third party

**(b) Significant restrictions**

Cash and cash equivalents of US$32,713,599 (2014: US$23,482,784) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

**(c) Summarised financial information of subsidiaries with material non-controlling interest ("NCI")**

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

| Name of company | Principal place of business/Place of incorporation | Ownership interests held by NCI | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | % | % |
| Novowell ETP Limited ("**NWETP**") | The PRC | 5 | 5 |
| TIANJIN SHIFA NOVO TECHNOLOGY DEVELOPMENT LIMITED ("**TSNTD**") | The PRC | 50 | 50 |
| XING HUA CITY DADUO SEWAGE TREATMENT CO., LTD. ("**XHDD**") | The PRC | 43 | 43 |

The following are the summarised financial information of each of the Group's subsidiaries with NCI that are considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

*Summarised Statement of Financial Position*

| | **NWETP** | | **TSNTD** | | **XHDD** | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| Non-current assets | 61,195,046 | 61,527,117 | 5,295,244 | 5,669,373 | 2,286,674 | 992,251 |
| Current assets | 44,693,591 | 80,254,730 | 36,951,387 | 39,338,377 | 1,887,256 | 1,858,162 |
| Non-current liabilities | (4,203,000) | (5,000,000) | (237,614) | (269,167) | (579,364) | (575,195) |
| Current liabilities | (96,186,419) | (122,017,792) | (40,229,842) | (38,576,756) | (984,488) | (270,371) |
| **Net assets** | 5,499,218 | 14,764,055 | 1,779,175 | 6,161,827 | 2,610,078 | 2,004,847 |
| **Net assets attributable to NCI** | 274,961 | 738,203 | 889,588 | 3,080,914 | 1,122,333 | 862,084 |

*Summarised Income Statement and Statement of Comprehensive Income*

| | NWETP | | TSNTD | | XHDD | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| Revenue | 70,771,015 | 73,754,943 | 22,705,531 | 42,125,351 | – | – |
| (Loss)/profit before tax | (12,462,751) | (2,906,361) | (4,408,561) | (2,035,909) | 586,498 | 721,910 |
| Income tax credit/(expenses) | 118 | (49,766) | – | – | – | 1,852 |
| (Loss)/profit for the financial year | (12,462,633) | (2,956,127) | (4,408,561) | (2,035,909) | 586,498 | 723,762 |
| Other comprehensive income | 117,796 | 189,429 | 25,909 | 43,577 | 18,733 | 16,151 |
| **Total comprehensive (loss)/income** | (12,344,837) | (2,766,698) | (4,382,652) | (1,992,332) | 605,231 | 739,913 |
| **(Loss)/profit allocated to NCI** | (617,242) | (138,335) | (2,191,326) | (996,166) | 260,249 | 318,163 |
| **Dividends paid to NCI** | – | – | – | – | – | – |

*Summarised Statement of Cash Flows*

| | NWETP | | TSNTD | | XHDD | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| Cash flows generated from/(used in) operating activities | 13,222,582 | (5,218,653) | (5,598,380) | (13,152,410) | 1,296,451 | 609,477 |
| Cash flows used in investing activities | (6,315,273) | (6,649,380) | (1,235,437) | (2,264,984) | (1,303,456) | (1,515,274) |
| Cash flows (used in)/generated from financing activities | (10,259,958) | 12,634,614 | 3,213,703 | 18,900,100 | – | – |
| Net (decrease)/increase in cash and cash equivalents | (3,352,649) | 766,581 | (3,620,114) | 3,482,706 | (7,005) | (905,797) |

## 19. INVENTORIES

| | Group 2015 | 2014 |
|---|---|---|
| | *US$* | *US$* |
| Raw materials | 47,652 | 2,291,431 |
| Work-in-progress | 360,558 | 2,714,179 |
| Finished goods | 3,511,715 | 11,565,209 |
| | 3,919,925 | 16,570,819 |

The inventories with carrying amounts of US$1,050,791 (2014: US$8,580,383) have been pledged as securities for banking facilities granted to the Group (Note 23).

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales amounted to US$237,109,498 (2014: US$259,366,997).

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

**Foreign currency time option contracts**

| | Group | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Assets | Liabilities | Assets | Liabilities |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| Foreign currency time option contracts | 10,878 | – | – | 37,028 |

At the end of the reporting period, the Group has the following foreign currency time option contracts denominated in EURO ("**EUR**"). The Group is obligated to convert any amount up to the notional amount at the contracted exchange rate before the maturity date. The major terms of these contracts were as follows:

| Notional amount | Maturity date | Conversion to USD with contracted exchange rate |
|---|---|---|
| **2015** | | |
| EUR446,000 | 7 August 2015 | 1.2300 |
| **2014** | | |
| EUR170,000 | 4 August 2014 | 1.3435 |
| EUR138,000 | 27 August 2014 | 1.3820 |
| EUR235,950 | 5 September 2014 | 1.3600 |
| EUR373,800 | 3 October 2014 | 1.3780 |
| EUR603,050 | 17 October 2014 | 1.3693 |
| EUR76,500 | 24 October 2014 | 1.3670 |
| EUR1,312,000 | 3 November 2014 | 1.3770 |
| EUR37,500 | 24 November 2014 | 1.3575 |
| EUR168,500 | 1 December 2014 | 1.3551 |
| EUR138,000 | 3 December 2014 | 1.3690 |

The fair values of foreign currency time option contracts at the end of the reporting period are referenced to the bank statements provided by the counterparty banks. All fair value changes were recognised in profit or loss.

**Commodity futures contracts**

There is no open commodity futures contracts as at 30 April 2015. The open commodity futures contracts at 30 April 2014 were as follows:

| | **Long exposure** | | **Short exposure** | |
|---|---|---|---|---|
| | **Notional amount** | **Number of contracts** | **Notional amount** | **Number of contracts** |
| | *US$* | | *US$* | |
| Commodity futures contracts | 948,910 | 180 | 790,027 | 150 |

The fair values change for these commodity futures contracts were not significant at the end of the reporting period.

## 21. TRADE AND OTHER RECEIVABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| Advance payment to suppliers | 10,329,791 | 11,421,686 | – | – |
| Trade and bills receivables | 14,789,745 | 14,569,053 | – | – |
| | 25,119,536 | 25,990,739 | – | – |
| Deposits | 567,783 | 740,792 | – | – |
| Advance payment for property, plant and equipment | 2,542,833 | 1,310,913 | – | – |
| Prepayments | 1,484,178 | 1,618,419 | 21,736 | 22,263 |
| Other receivables | 11,893,954 | 10,261,765 | 1,330 | – |
| Amounts due from | | | | |
| – subsidiaries *(Note 18)* | – | – | – | 41,248,550 |
| – a non-controlling shareholder | – | 81,195 | – | – |
| – a related party | 3,271,340 | – | – | – |
| | 19,760,088 | 14,013,084 | 23,066 | 41,270,813 |
| Total gross receivables at 30 April | 44,879,624 | 40,003,823 | 23,066 | 41,270,813 |
| Less allowance for impairment of other receivables *(Note 9)* during the year and balance at 30 April | (2,505,985) | – | – | – |
| | 42,373,639 | 40,003,823 | 23,066 | 41,270,813 |

Included in trade and bills receivables is amount of US$6,945,009 (2014: US$3,396,727) due from a related party.

The receivables from subsidiaries and a non-controlling shareholder and a related party are unsecured, interest-free and repayable on demand.

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

Trade and bills receivables of US$2,344,551 (2014: US$2,924,791) are pledged to banks for banking facilities granted (Note 23).

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

| | **Group** | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Current | 8,529,141 | 10,344,094 |
| Less than 1 month past due | 5,361 | 2,761,643 |
| 1 to 3 months past due | 1,946,160 | 1,155,697 |
| 3 to 12 months past due | 3,514,471 | 307,619 |
| More than 12 months past due | 794,612 | – |
| Amount past due but not impaired | 6,260,604 | 4,224,959 |
| | 14,789,745 | 14,569,053 |

The Group conducts settlement by letter of credit and in advance for most international trading and the PRC domestic trading and distribution. Other than that the Group has a policy of allowing customers for domestic trading and distribution in HK with credit terms of normally 30 days after the date of delivery.

The Directors are of the opinion that no allowance for impairment of trade and bills receivables for the above debts which are past due but not impaired is necessary as there was no recent history of significant default in respect of these trade and bills receivables. Trade and bills receivables that were neither past due nor impaired related to a wide range of customers that have a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

Trade and other receivables denominated in currencies other than the functional currencies of the respective entities are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| Chinese Renminbi (“**RMB**”) | 10,550 | 66,934 | – | – |
| EUR | 81,168 | 377,638 | – | – |
| Hong Kong Dollars (“**HKD**”) | 19,005 | 19,190 | – | 16,826 |
| Indonesian Rupiah (“**IDR**”) | 269 | 14,077 | – | – |
| Singapore Dollars (“**SGD**”) | 160,160 | 8,788 | 1,329 | 5,438 |
| UAE Dirham (“**AED**”) | 2,178 | 2,178 | – | – |
| | 273,330 | 488,805 | 1,329 | 22,264 |

## 22. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| Cash on hand and at bank (unpledged portion) | 991,768 | 12,480,595 | 41,109 | 114,939 |
| Cash at margin accounts (non-restricted) | 82,442 | 299,652 | – | – |
| Fixed deposits (pledged portion) | 32,383,526 | 34,041,240 | – | – |
| Cash and cash equivalents on the statements of financial position | 33,457,736 | 46,821,487 | 41,109 | 114,939 |
| Less: Pledged fixed deposits | (32,383,526) | (34,041,240) | | |
| Cash and cash equivalents as per consolidated statement of cash flows | 1,074,210 | 12,780,247 | | |

The cash at bank at the end of the reporting period generally earns interest at rate of 0.001% to 3.25% per annum (2014: 0.001% to 3.25% per annum).

Cash at margin accounts are deposited with brokerage companies for future derivative contracts and are non-restricted in use at the end of the reporting period.

At the end of the reporting period, fixed deposits mature within 88 to 205 days (2014: 1 to 154 days) from the end of the reporting period, and have effective interest rates of 2.8% to 3.3% per annum (2014: 0.01% to 3.08% per annum).

The Group has pledged its fixed deposits to banks for banking facilities granted (Note 23).

Cash and cash equivalents denominated in currencies other than the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| Australian Dollars | 251 | 290 | – | – |
| Sterling Pound | 77 | 84 | – | – |
| RMB | 2,164 | 3,386 | – | – |
| EUR | 593 | 1,890 | – | – |
| HKD | 64,283 | 110,078 | 4,110 | 2,890 |
| IDR | 8,955 | 4,675 | – | – |
| SGD | 92,634 | 1,687,954 | 27,146 | 109,688 |
| Philippine Peso (“**PHP**”) | 385 | 59 | – | – |
| AED | – | 361 | – | – |
| USD | 11,798,564 | 6,714,128 | – | – |
| | 11,967,906 | 8,522,905 | 31,256 | 112,578 |

## 23 BORROWINGS

| | Group 2015 | Group 2014 |
|---|---|---|
| | *US$* | *US$* |
| **Non-current liabilities** | | |
| Loans from a director | 364,776 | – |
| Loans from a related party | 150,000 | – |
| Loans from ultimate holding company | 4,905,125 | – |
| Other borrowings | 13,024,962 | – |
| | 18,444,863 | – |
| **Current liabilities** | | |
| Bank loan | 22,750,000 | 24,000,000 |
| Working capital loans | 35,512,762 | 43,856,206 |
| Mortgage loan | 558,203 | 624,079 |
| | 58,820,965 | 68,480,285 |
| | 77,265,828 | 68,480,285 |

Borrowings denominated in currencies other than the functional currencies of the respective entities are as follows:

| | Group 2015 | Group 2014 |
|---|---|---|
| | *US$* | *US$* |
| USD | 22,750,000 | 24,000,000 |
| HKD | 5,269,901 | – |
| | 28,019,901 | 24,000,000 |

Other borrowings comprise import and export credit facility from a strategic partner to facilitate the working capital requirement of the Group. The loans from a director, a related party, ultimate holding company and other borrowings are unsecured and not repayable within one year.

The Group's working capital loans, mortgage loan and bills payable (Note 25) are secured by way of:

– Legal pledge on the Group's leasehold land and buildings (Note 14);
– Legal pledge on the Group's fixed deposits (Note 22);
– Pledge of assets (cargo and related proceeds) underlying the financed transactions (Notes 19 and 21);
– 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 land use rights, construction work-in-progress, building and plant and machinery (Notes 14 and 15);
– Share charge on a subsidiary;
– Floating mortgage; and
– Corporate guarantees of the Company.

**Pledge of assets**

At the end of the reporting period, the Group has pledged the following assets to banks as securities against banking facilities granted to the Group:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Leasehold land and buildings *(Note 14)* | 11,410,942 | 13,279,716 |
| Construction work-in-progress *(Note 14)* | 1,839,285 | 439,549 |
| Plant and machinery *(Note 14)* | 52,987,816 | 51,244,662 |
| Land use rights *(Note 15)* | 3,393,502 | 2,708,901 |
| Inventories *(Note 19)* | 1,050,791 | 8,580,383 |
| Trade and bills receivables *(Note 21)* | 2,344,551 | 2,924,791 |
| Fixed deposits *(Note 22)* | 32,383,526 | 34,041,240 |
| Others # | 28,543,063 | 50,616,319 |
| | 133,953,476 | 163,835,561 |

# Others consist of a floating charge over the remaining assets of a subsidiary.

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

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | % | % |
| Bank loan | 5.05 | 5.05 |
| Working capital loans | 6.53 | 5.40 |
| Mortgage loan | 6.38 | 6.55 |
| Loans from a director | 8.40 | – |
| Loans from a related party | 8.40 | – |
| Loans from ultimate holding company | 8.40 | – |
| Other borrowings | 7.32 | – |

The borrowings classified under current liabilities as at 30 April 2015 are repayable within 1 financial year from the end of the reporting period except as follows:

– Bank loan was repayable in 24 months from December 2014. At the end of the reporting period, the Group has breached certain financial covenants as described in the subsequent paragraphs. Accordingly, the bank loan is classified under current liabilities.

– Mortgage loan was repayable in 120 monthly instalments of US$8,942 (2014: US$8,967) each. The first instalment commenced in August 2011. Notwithstanding to this, the mortgage loan is callable loan therefore, the mortgage loan is classified under current liabilities.

Based on the discounted cash flows method using a discount rate based on market lending rates for similar borrowings which the management expect would be available to the Group at the end of the reporting period, the fair value of the fixed rate non-current borrowings at the end of the reporting period approximate their carrying values as there are no significant changes in the interest rates available to the Group. This fair value measurement for disclosures purposes is categorised in Level 3 of the fair value hierarchy.

**Breached of loan covenants**

*(i) Bank loan*

The Group's bank loan is subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. The Group breached the financial covenants to maintain the required minimum consolidated net worth and minimum consolidated current assets to current liabilities ratio.

At the end of the reporting period, total bank loan outstanding amounting to US$22,750,000 (2014: US$24,000,000).

Due to these breaches of the covenants clauses, the bank is contractually entitled to request for immediate repayment of the outstanding loans. The outstanding loans are presented as current liabilities as at 30 April 2015.

Subsequent to the end of the reporting period, the Group obtained the bank's waiver letter in relation to the breach of financial covenants for the financial year ended 30 April 2015. The bank has also agreed not to demand immediate payment as a consequence of these breaches of covenant clauses.

*(ii) Working capital loans*

The Group's certain working capital loans are also subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. A subsidiary breached the financial covenants to maintain the required minimum sales target requirement and maximum Debt-Asset ratio of the said subsidiary.

In addition, the Group also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates. The balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683 and are presented as current liabilities as at 30 April 2015. Subsequent to the end of the reporting period, working capital loans of US$3,271,342 has been repaid and the remaining balance of US$3,271,341 are still outstanding as at the date of this report.

## 24. DEFERRED INCOME

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| **Grants-related to assets** | | |
| Balance at beginning of the financial year | 1,792,425 | 200,939 |
| Grants received during the financial year | – | 1,595,476 |
| Grant refunded during the financial year | (33,169) | – |
| Exchange realignment | 12,616 | (3,990) |
| Balance at end of the financial year | 1,771,872 | 1,792,425 |
| **Less: Accumulated amortisation** | | |
| Balance at beginning of the financial year | 187,435 | 13,149 |
| Amortisation for the financial year *(Note 6)* | 308,133 | 174,707 |
| Exchange realignment | 2,906 | (421) |
| Balance at end of the financial year | 498,474 | 187,435 |
| Net carrying value at end of the financial year | 1,273,398 | 1,604,990 |
| *Represented by:* | | |
| Current liability | 309,738 | 294,386 |
| Non-current liability | 963,660 | 1,310,604 |
| | 1,273,398 | 1,604,990 |

Deferred grants represent:

– infrastructure development grant received from Tianjin Economic Technological Development Area ("**TEDA**") Construction Development Bureau to subsidies the set-up costs of a steel processing centre in Tianjin, the PRC;

– government grant received from Xinghua City Municipal Finance Bureau and Xinghua City Environmental Protection Bureau for financing a water pollution prevention project in Jiangsu, the PRC;

– cash incentive received from Xinghua City Municipal Finance Bureau for financing the purchase of a piece of land in Jiangsu, the PRC; and

– government grant received from Tianjin Economic and Information Technology Commission and Tianjin Finance Bureau to encourage the technology innovation project in Tianjin, the PRC.

These grants are amortised over the useful lives of the property, plant and equipment and land use rights which it is subsidising (Notes 14 and 15).

## 25. TRADE AND OTHER PAYABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| Trade and bills payables | 4,034,970 | 12,357,909 | – | – |
| Bills payables to banks | 44,763,277 | 45,436,793 | – | – |
| Sales deposits received | 2,531,122 | 1,463,820 | – | – |
| Accrued operating expenses | 4,405,488 | 4,069,019 | 120,044 | 142,540 |
| Other payables | 5,758,941 | 2,363,694 | 95 | 3,824 |
| Other payables for property, plant and equipment | 1,642,892 | 5,724,174 | – | – |
| Amounts due to subsidiaries | – | – | 12,248,363 | 8,764,846 |
| Amounts due to a non-controlling shareholder | 314,102 | 314,102 | – | – |
| | 63,450,792 | 71,729,511 | 12,368,502 | 8,911,210 |

The securities for bills payables to banks are disclosed in Note 23.

The amounts payable to subsidiaries and a non-controlling shareholder are unsecured, interest-free and repayable on demand.

The ageing analysis of the trade and bills payables and bills payables to banks at the end of the reporting period based on the invoice date is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| 0 to 3 months | 8,634,767 | 44,803,502 |
| 3 to 6 months | 2,707,252 | 12,991,200 |
| 6 to 12 months | 29,564,617 | – |
| More than 12 months | 7,891,611 | – |
| | 48,798,247 | 57,794,702 |

Trade and other payables denominated in currencies other than the functional currencies of the respective entities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| RMB | 46,197 | 401,241 | 32,562 | 24,359 |
| HKD | 253,025 | 274,754 | – | 29,388 |
| IDR | 10,366 | 11,882 | – | – |
| SGD | 112,446 | 131,842 | 72,310 | 92,618 |
| AED | 8,169 | 4,520 | – | – |
| USD | 150 | – | – | – |
| | 430,353 | 824,239 | 104,872 | 146,365 |

## 26. SHARE CAPITAL

| | Group | | Company | |
|---|---|---|---|---|
| | **No. of ordinary shares** | *US$* | **No. of ordinary shares** | *US$* |
| Balance at beginning and end of the financial year | 170,804,269 | 32,238,531 | 170,804,269 | 108,739,451 |

All issued shares are fully paid ordinary shares with no par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

## 27. STATUTORY RESERVE

The PRC subsidiaries are required to transfer no less than 10% of its net profit to the general reserve fund each year until the reserve reaches 50% of its registered capital. The transfer to this fund must be made before the payment of dividends to shareholders. In the event that the PRC subsidiaries incur accumulated losses, the transfer of this fund can only be made after the PRC subsidiaries' accumulated losses are fully set off against current year net profit.

The general reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiaries, subject to approval from the relevant PRC authorities.

## 28. OTHER RESERVES-NON-DISTRIBUTABLE

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| Net gain on disposal of treasury shares | 2,600,961 | 2,600,961 | 2,600,961 | 2,600,961 |
| Capital reserve * | 230,945 | 79,317 | – | – |
| | 2,831,906 | 2,680,278 | 2,600,961 | 2,600,961 |

* A subsidiary in the PRC received government grant from Xinghua City Municipal Finance Bureau and Xinghua City Environmental Protection Bureau for financing a water pollution prevention project in Jiangsu, the PRC. The government grant received is part of the PRC government's efforts to support the development of economic and social fields and shall be accounted under the "Provisional Measures for Fiscal and Financial Administration of Subsidy Fund for Fixed Assets Investment in the Central Budget (No. 355 [2005] of the Ministry of Finance, the PRC)". The grant received is non-distributable. The amount transferred to capital reserve is based on the deferred grant attributable to owners of the Company that was amortised to profit or loss during the financial year.

## 29. DIVIDEND PAID

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Final tax exempt (one-tier) dividend of Nil (2014: 1.0) Singapore cents per share paid in respect of the previous financial year | – | 1,352,590 |

## 30. COMMITMENTS

### (a) Capital commitments

Capital commitments not provided for in the financial statements:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Expenditure for property, plant and equipment contracted for | 13,348,971 | 15,437,678 |

### (b) Operating lease commitments

The future aggregate minimum lease payments for office premises under non-cancellable operating leases at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Not later than one financial year | 57,814 | 185,856 |
| Later than one financial year but not later than five financial years | 332 | 21,309 |
| | 58,146 | 207,165 |

## 31 CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

### (a) Bills discounted with recourse

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Discounted bills with recourse supported by letter of credit | 3,944,907 | 4,880,928 |

**(b) Guarantees**

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Corporate guarantees issued by the Company to banks in respect of banking facilities of subsidiaries | 326,201,202 | 356,221,400 |
| Amounts utilised by subsidiaries | 66,737,639 | 84,062,799 |

The Company has issued corporate guarantees to banks for banking facilities granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn.

As disclosed in Note 23, a subsidiary has defaulted the repayment of certain working capital loans with a bank. Total corporate guarantee issued by the Company in respect of this facility amounted to US$8,178,350 and the amount outstanding as at 30 April 2015 and at the date of this report amounted to US$6,542,683 and US$3,271,341 respectively. The Group is currently negotiating a revised repayment plan with the bank and the management is confident that a favourable repayment plan will be granted to the subsidiary.

The financial guarantee contracts have not been recognised in the financial statements of the Company, because the Company does not expect to incur material losses under these corporate guarantees.

**(c)** In July 2014, a supplier had filed a claim against a subsidiary for non-performance of a contract. According to legal advice given by the subsidiary's legal consultant, the subsidiary has good grounds to dispute liability for the claim, therefore, the management is of the opinion that there will be no material adverse effect on the financial performance or financial position of the subsidiary as a result of this claim.

## 32. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

The table below analyses the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

(a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

(c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### (b) Fair value measurements of liabilities that are measured at fair value

The following table presents the level of fair value hierarchy for assets and liabilities measured at fair value at the end of the reporting period:

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| *Recurring fair value measurements* | | | | |
| **2015** | | | | |
| **Group** | | | | |
| **Financial assets** | | | | |
| Derivative financial instruments | | | | |
| – Foreign currency time option contracts | – | 10,878 | – | 10,878 |
| **2014** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Derivative financial instruments | | | | |
| – Foreign currency time option contracts | – | 37,028 | – | 37,028 |

The fair values of foreign currency time option contracts at the end of the reporting period are referenced to the bank statements provided by the counterparty banks.

### (c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of these financial assets and financial liabilities are reasonable approximation of their respective fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

## 33 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | *US$* | *US$* | *US$* | *US$* |
| **Financial assets** | | | | |
| *Loans and receivables* | | | | |
| Trade and other receivables | 28,016,837 | 25,652,805 | 1,330 | 41,248,550 |
| Cash and cash equivalents | 33,457,736 | 46,821,487 | 41,109 | 114,939 |
| Total loans and receivables | 61,474,573 | 72,474,292 | 42,439 | 41,363,489 |
| *Financial assets at fair value through profit or loss* | | | | |
| Derivative financial instruments | 10,878 | – | – | – |
| **Financial liabilities** | | | | |
| *Financial liabilities at amortised cost* | | | | |
| Trade and other payables | 60,919,670 | 70,265,691 | 12,368,502 | 8,911,210 |
| Borrowings | 77,265,828 | 68,480,285 | – | – |
| Total financial liabilities at amortised cost | 138,185,498 | 138,745,976 | 12,368,502 | 8,911,210 |
| *Financial liabilities at fair value through profit or loss* | | | | |
| Derivative financial instruments | – | 37,028 | – | – |

### (b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Directors review and agree policies and procedures for the management of these risks, which are executed by the Group Treasury. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

*(i) Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing with counterparties with appropriate credit history.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of loans and receivables recognised in the statements of financial position and the amount of US$66,737,639 (2014: US$84,062,799) relating to corporate guarantees given by the Company to banks for the subsidiaries' bank borrowings, respectively (Note 31(b)).

Based on expectations at the end of the reporting period and subject to the successful negotiation of repayment plan with a bank, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty which are guaranteed suffer credit losses.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions which are regulated and with good credit ratings.

At the end of the reporting period, approximately 85.8% (2014: 88.3%) of the Group's trade and bills receivables were due from 5 major trade receivables.

Analysis of trade and other receivables at the end of reporting period:

*Not past due and not impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Non-trade balances due from subsidiaries, a non-controlling shareholder and a related party are generally repayable on demand and no impairment loss is anticipated. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions or companies which are regulated and with good credit ratings.

*Past due but not impaired*

The aged analysis of trade and bills receivables that are past due but not impaired are disclosed in Note 21.

*Past due and impaired*

There are no financial assets that are past due and impaired at the end of the reporting period except for other receivables amounting to US$2,505,985 (2014: US$Nil) which are past due more than one year and impaired as disclosed in Note 21.

*(ii) Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group adopts prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by keeping committed credit lines available.

The Group seeks to maintain sufficient liquid financial assets and stand-by credit facilities to manage its liquidity risks.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

| | **2015** | | | | **2014** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| **Group** | | | | | | | | |
| Trade and other payables | 60,919,670 | – | – | 60,919,670 | 70,265,691 | – | – | 70,265,691 |
| Borrowings | 43,452,781 | 36,426,085 | – | 79,878,866 | 47,508,777 | 24,598,195 | 244,593 | 72,351,565 |
| | 104,372,451 | 36,426,085 | – | 140,798,536 | 117,774,468 | 24,598,195 | 244,593 | 142,617,256 |
| **Company** | | | | | | | | |
| Trade and other payables | 12,368,502 | – | – | 12,368,502 | 8,911,210 | – | – | 8,911,210 |
| Financial guarantee contracts *(Note 31(b))* | 66,737,639 | – | – | 66,737,639 | 84,062,799 | – | – | 84,062,799 |
| | 79,106,141 | – | – | 79,106,141 | 92,974,009 | – | – | 92,974,009 |

At the end of the reporting period, subject to the successful negotiation of repayment plan with a bank, the Company does not consider it is probable that a claim will be made against the Company under the intra-group financial guarantee.

The table below analyses the Group's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groups based on the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows:

| | Group | |
|---|---|---|
| | Less than 1 year | |
| | **2015** | **2014** |
| | *US$* | *US$* |
| Unutilised foreign currency time option contracts | | |
| – Receipts | 105,355 | 4,124,349 |
| – Payments | (94,477) | (4,161,377) |

*(iii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group obtains financing through bank loans, trade financing facilities and loans from a director, a related party ultimate holding company and a strategic partner. The Group's policy is to obtain the most favourable interest rates available without increasing its interest risk exposure.

At the end of the reporting period, the profile of the Group's interest-bearing financial instruments are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| **Fixed rate instruments** | | |
| Financial assets | 32,383,658 | 34,013,904 |
| Financial liabilities | 48,294,674 | 34,083,576 |
| **Variable rate instruments** | | |
| Financial assets | 800,946 | 12,030,516 |
| Financial liabilities | 28,971,154 | 34,396,709 |

Sensitivity analysis on interest rate risk for financial assets and financial liabilities at variable rate is not presented as a reasonably possible increase/decrease of 50 basis points in interest rates will have no significant impact on the net loss.

The financial assets and financial liabilities of the Company are non-interest bearing.

*(iv) Foreign currency risk*

Foreign currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group. Exposure to foreign currency risk is monitored on an on-going basis and management seeks to keep the net exposure to an acceptable level.

To minimise foreign currency risk, the Group conducts the majority of both its purchase and sale transactions in the same currency.

During the financial year, the Group entered into foreign currency contracts with a number of banks to reduce its exposure to currency fluctuations risk. These derivatives are not accounted for under hedge accounting as the Group currently does not have a formal currency hedging policy. However, the management monitors foreign exchange exposure from time to time and will further consider hedging significant foreign currency exposure should the need arise. One (2014: Ten) foreign currency time option contracts were outstanding as at 30 April 2015.

The Group has foreign currency exposure arising mainly from cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. At the end of the reporting period, US$11,967,906 (2014: US$8,522,905) of the Group's cash and cash equivalents, US$273,330 (2014: US$488,805) of the Group's trade and other receivables, US$430,353 (2014: US$824,239) of the Group's trade and other payables and US$28,019,901 (2014: US$24,000,000) of the Group's borrowings are denominated in non-functional currencies.

At the end of the reporting period, US$31,256 (2014: US$112,578) of the Company's cash and cash equivalents, US$1,329 (2014: US$22,264) of the Company's trade and other receivables and US$104,872 (2014: US$146,365) of the Company's trade and other payables are denominated in non-functional currencies.

Sensitivity analysis of the Group's and the Company's foreign currency risk exposure are not presented as a reasonably possible change of 5% in the foreign currencies exchange rates against the respective functional currencies of the Group entities, with all other variables held constant will have no significant impact on the Group's and the Company's net loss.

**(c) Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Group discounts bills receivables with recourse to banks and these amounts are presented on net basis on the statements of financial position. The bills receivables are supported by the customers' letters of credits and the Group considered the risk of default by the issuing banks are remote. These amounts are disclosed as contingent liabilities (Note 31(a)).

The Group's receivables and liabilities that are offset are as follows:

| **Description** | **Gross carrying amounts** *US$* | **Gross amounts offset on the statement of financial position** *US$* | **Net amounts on the statement of financial position** *US$* |
|---|---|---|---|
| **Group** | | | |
| **2015** | | | |
| Trade and other receivables | 46,318,546 | (3,944,907) | 42,373,639 |
| Borrowings – current liabilities | (62,765,872) | 3,944,907 | (58,820,965) |
| **2014** | | | |
| Trade and other receivables | 44,884,751 | (4,880,928) | 40,003,823 |
| Borrowings – current liabilities | (73,361,213) | 4,880,928 | (68,480,285) |

**34. CAPITAL MANAGEMENT**

The objective of the Group in managing its capital is to ensure the Group's ability to continue as a going concern and to maximise shareholders' values.

The Group reviews the capital structure from time to time and may make adjustments in light of the changing economic conditions, by adjusting the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowing or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 30 April 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital represents total equity attributable to owners of the Company.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | *US$* | *US$* |
| Borrowings | 77,265,828 | 68,480,285 |
| Trade and other payables | 63,450,792 | 71,729,511 |
| | 140,716,620 | 140,209,796 |
| Less: Cash and cash equivalents | (33,457,736) | (46,821,487) |
| Net debt | 107,258,884 | 93,388,309 |
| Total equity attributable to owners of the Company | 14,097,296 | 36,019,340 |
| Capital and net debt | 121,356,180 | 129,407,649 |

| | **2015** | **2014** |
|---|---|---|
| | *%* | *%* |
| Gearing ratio | 88 | 72 |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 April 2015 and 30 April 2014 except for breached of loan covenants as disclosed in Note 23.

## 35. SEGMENT INFORMATION

The Group is organised into business units based on its business segments purposes. The reportable segments are trading, tinplate manufacturing and tinplate processing which are described below. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

**Trading**

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

(i) iron ore;

(ii) coal; and

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

**Tinplate manufacturing**

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

**Tinplate processing**

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

The segment information provided to management for the reportable segments are as follows:

| | Trading US$ | Tinplate manufacturing US$ | Tinplate processing US$ | Eliminations US$ | Total US$ |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Segment revenue to | | | | | |
| – sales to external customers | 193,105,499 | 32,751,054 | 22,705,531 | – | 248,562,084 |
| – intersegment sales | 56,189,082 | 38,371,477 | – | (94,560,559) | – |
| | 249,294,581 | 71,122,531 | 22,705,531 | (94,560,559) | 248,562,084 |
| Segment results | 1,385,471 | (5,812,244) | (375,473) | – | (4,802,246) |
| Other income | 906,552 | 1,275,638 | 40,291 | – | 2,222,481 |
| Other costs | (8,039,305) | (4,250,264) | (2,413,663) | – | (14,703,232) |
| Finance costs | (2,549,906) | (3,121,601) | (1,661,288) | – | (7,332,795) |
| Loss before tax | (8,297,188) | (11,908,471) | (4,410,133) | – | (24,615,792) |
| Income tax expenses | (43,493) | (87,457) | – | – | (130,950) |
| Loss for the financial year | (8,340,681) | (11,995,928) | (4,410,133) | – | (24,746,742) |
| **Assets and liabilities** | | | | | |
| Segment assets | 185,443,681 | 113,692,746 | 42,251,442 | (182,789,925) | 158,597,944 |
| Segment liabilities | 70,458,855 | 129,200,146 | 45,192,786 | (102,786,006) | 142,065,781 |
| **Other segment information** | | | | | |
| Capital expenditure | 1,919 | 3,200,218 | – | – | 3,202,137 |
| Depreciation and amortisation | 367,014 | 3,094,542 | 417,808 | – | 3,879,364 |
| Non-cash items other than depreciation and amortisation | 1,881,120 | 129,182 | 1,566,204 | – | 3,576,506 |

| | Trading<br>*US$* | Tinplate manufacturing<br>*US$* | Tinplate processing<br>*US$* | Eliminations<br>*US$* | Total<br>*US$* |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Segment revenue to | | | | | |
| – sales to external customers | 196,770,397 | 44,151,295 | 32,076,533 | – | 272,998,225 |
| – intersegment sales | 35,527,918 | 32,728,787 | 10,048,817 | (78,305,522) | – |
| | 232,298,315 | 76,880,082 | 42,125,350 | (78,305,522) | 272,998,225 |
| Segment results | 1,258,980 | (1,945,945) | (181,917) | – | (868,882) |
| Other income | 872,013 | 2,415,758 | 38,919 | – | 3,326,690 |
| Other costs | (7,580,167) | (3,085,825) | (905,599) | – | (11,571,591) |
| Finance costs | (1,227,171) | (3,013,351) | (1,051,402) | – | (5,291,924) |
| Loss before tax | (6,676,345) | (5,629,363) | (2,099,999) | – | (14,405,707) |
| Income tax credit/(expenses) | 3,219 | (47,914) | – | – | (44,695) |
| Loss for the financial year | (6,673,126) | (5,677,277) | (2,099,999) | – | (14,450,402) |
| **Assets and liabilities** | | | | | |
| Segment assets | 147,411,398 | 142,281,345 | 45,010,081 | (151,901,175) | 182,801,649 |
| Segment liabilities | 54,164,515 | 146,107,441 | 43,567,693 | (101,954,474) | 141,885,175 |
| **Other segment information** | | | | | |
| Capital expenditure | 161,755 | 28,556,272 | 2,259,747 | – | 30,977,774 |
| Depreciation and amortisation | 412,476 | 1,022,974 | 174,937 | – | 1,610,387 |
| Non-cash items other than depreciation and amortisation | 350,760 | 378,682 | 340,180 | – | 1,069,622 |

**Geographical information**

The Group's operations are located in three main geographical areas. The turnover by geographical segments are based on the location of customers regardless of where the goods are produced. The following table provides an analysis of the Group's revenue and non-current assets by geographical markets, irrespective of the origin of the goods and services.

| | | Sales to external customers | | Non-current assets | |
|---|---|---|---|---|---|
| | | **2015** | **2014** | **2015** | **2014** |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| North Asia | *(i)* | 216,236,060 | 247,962,846 | 78,833,126 | 79,370,734 |
| South East Asia | *(ii)* | 18,105,234 | 11,932,225 | 2,640 | 34,786 |
| Others | *(iii)* | 14,220,790 | 13,103,154 | – | – |
| | | 248,562,084 | 272,998,225 | 78,835,766 | 79,405,520 |

*Note:*

(i) Included the PRC, Hong Kong, Korea and Macau, where US$216,025,725 (2014: US$247,896,507) of the Group's revenue derived from the PRC.

(ii) Included Indonesia, Thailand, Vietnam, Malaysia, Philippines and Singapore, where US$7,989,172 (2014: US$7,497,691) of the Group's revenue derived from Thailand.

(iii) Included America, Australia, Ethiopia, Italy and Salvador, etc.

**Information about major customer**

Revenue of approximately US$107,051,604 (2014: US$30,978,000) are derived from 3 (2014: 1) major external customers who individually contributed 10% or more of the Group's revenue, and are attributable to the trading segment (2014: trading segment).

| | **Group** |
|---|---|
| **2015** | *US$* |
| Customer 1 | 38,441,371 |
| Customer 2 | 38,349,296 |
| Customer 3 | 30,260,937 |
| | 107,051,604 |
| **2014** | |
| Customer 4 | 30,978,000 |

## 36. RECONCILIATION BETWEEN FRSS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the financial years ended 30 April 2015 and 2014, there were no material differences between statements of financial position and statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group prepared under FRSs and IFRSs.

## 37. COMPARATIVE FIGURES

The following reclassification has been made to the prior year's consolidated statement of cash flows to enhance comparability with current year's presentation:

| | **As previously reported** *US$* | **Amount reclassified** *US$* | **As reclassified** *US$* |
|---|---|---|---|
| **Group** | | | |
| **For the financial year ended 30 April 2014** | | | |
| Net cash generated from operating activities | 39,711,594 | (35,053,273) | 4,658,321 |
| Net cash (used in)/generated from financing activities | (23,075,243) | 35,053,273 | 11,978,030 |

## 38. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 April 2015 were authorised for issue in accordance with a resolution of the Board of Directors dated 31 July 2015.

## 4. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE FIRST QUARTER ENDED 31 JULY 2015

The following is the full text of the unaudited consolidated financial statements of the Group for the first quarter ended 31 July 2015 as extracted from the first quarter announcement of the Company dated 14 September 2015:

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 JULY 2015**

**PART I INFORMATION REQUIRED FOR FIRST 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 first quarter ended 31 July 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 First Quarter ended 31 July 2015**

| | The Group<br>3 months period ended<br>31 July<br>2015<br>*US$'000* | <br><br>31 July<br>2014<br>*US$'000* | Increase/<br>(Decrease)<br>*%* |
|---|---|---|---|
| Revenue | 22,895 | 62,607 | -63.4% |
| Cost of sales | (22,933) | (63,055) | -63.6% |
| Gross loss | (38) | (448) | -91.5% |
| Other income | 963 | 851 | 13.2% |
| Distribution and selling expenses | (571) | (1,896) | -69.9% |
| Administrative expenses | (2,792) | (2,333) | 19.7% |
| Other expenses | – | (147) | NM |
| Finance costs | (921) | (1,419) | -35.1% |
| Loss before tax | (3,359) | (5,392) | -37.7% |
| Income tax expenses | (6) | (9) | -33.3% |
| Loss for the period | (3,365) | (5,401) | -37.7% |
| **Attributable to:** | | | |
| Owners of the Company | (3,166) | (5,058) | |
| Non-controlling interests | (199) | (343) | |
| | (3,365) | (5,401) | |

*NM – not meaningful*

**Consolidated Statement of Comprehensive Income**

| | The Group 3 months period ended 31 July 2015 US$'000 | 31 July 2014 US$'000 | Increase/ (Decrease) % |
|---|---|---|---|
| Loss for the period | (3,365) | (5,401) | -37.7% |
| **Other comprehensive loss:** | | | |
| **Item that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of the Group's foreign operations, net of tax | (51) | (273) | -81.3% |
| Total comprehensive loss for the period | (3,416) | (5,674) | -39.8% |
| **Attributable to:** | | | |
| Owners of the Company | (3,214) | (5,212) | |
| Non-controlling interests | (202) | (462) | |
| | (3,416) | (5,674) | |

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

| | The Group 3 months period ended 31 July 2015 US$'000 | 31 July 2014 US$'000 |
|---|---|---|
| Loss for the period is stated after charging/(crediting): | | |
| Amortisation of deferred income | (68) | (77) |
| Amortisation of land use rights | 27 | 27 |
| Bad debts written off | 8 | – |
| Depreciation of property, plant and equipment | 733 | 572 |
| Fair value gain on derivative financial instruments | – | (11) |
| Interest expense | 879 | 1,167 |
| Interest income | (241) | (294) |
| Loss on disposal of property, plant and equipment | – | 26 |
| Net foreign exchange (gains)/losses | (48) | 55 |
| Net realised gains on derivative financial instruments | – | 104 |
| Reversal of inventories written down | (195) | – |

**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 July 2015 | As at 30 April 2015 | As at 31 July 2015 | As at 30 April 2015 |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| **Non-current assets** | | | | |
| Property, plant and equipment | 72,518 | 73,131 | – | – |
| Land use rights | 5,670 | 5,701 | – | – |
| Goodwill | 4 | 4 | – | – |
| Investments in subsidiaries | – | – | 121,815 | 123,429 |
| | 78,192 | 78,836 | 121,815 | 123,429 |
| **Current assets** | | | | |
| Inventories | 3,215 | 3,920 | – | – |
| Trade and other receivables | 45,411 | 42,373 | 23 | 23 |
| Derivative financial instruments | – | 11 | – | – |
| Cash and cash equivalents | 33,369 | 33,458 | 10 | 41 |
| | 81,995 | 79,762 | 33 | 64 |
| **Total assets** | 160,187 | 158,598 | 121,848 | 123,493 |
| **Non-current liabilities** | | | | |
| Borrowings | 5,280 | 18,445 | – | – |
| Deferred income | 895 | 964 | – | – |
| | 6,175 | 19,409 | – | – |
| **Current liabilities** | | | | |
| Trade and other payables | 65,991 | 63,451 | 10,899 | 12,368 |
| Deferred income | 310 | 310 | – | – |
| Borrowings | 74,513 | 58,821 | – | – |
| Tax payable | 82 | 75 | – | – |
| | 140,896 | 122,657 | 10,899 | 12,368 |
| **Total liabilities** | 147,071 | 142,066 | 10,899 | 12,368 |
| **Net assets** | 13,116 | 16,532 | 110,949 | 111,125 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | As at 31 July 2015 | As at 30 April 2015 | As at 31 July 2015 | As at 30 April 2015 |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| **Equity** | | | | |
| Share capital | 32,239 | 32,239 | 108,740 | 108,740 |
| Accumulated losses | (25,650) | (22,446) | (392) | (216) |
| Foreign currency translation reserve | 1,391 | 1,439 | – | – |
| Statutory reserve | 33 | 33 | – | – |
| Other reserve | 2,870 | 2,832 | 2,601 | 2,601 |
| Total equity attributable to owners of the Company | 10,883 | 14,097 | 110,949 | 111,125 |
| Non-controlling interests | 2,233 | 2,435 | – | – |
| Total equity | 13,116 | 16,532 | 110,949 | 111,125 |

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

| | The Group As at 31 July 2015 | | The Group As at 30 April 2015 | |
|---|---|---|---|---|
| | Secured | Unsecured | Secured | Unsecured |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| Amount repayable in one year or less | 60,911 | 13,602 | 58,821 | – |
| Amount repayable after one year | – | 5,280 | – | 18,445 |

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 fixed deposits;

– 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 work-in-progress, plant and machinery;

– 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 | |
|---|---|---|
| | **31 July 2015** | **31 July 2014** |
| | *US$'000* | *US$'000* |
| **Cash flows from operating activities** | | |
| Loss before tax | (3,359) | (5,392) |
| Adjustments for: | | |
| Amortisation of deferred income | (68) | (77) |
| Amortisation of land use rights | 27 | 27 |
| Bad debts written off | 8 | – |
| Depreciation of property, plant and equipment | 733 | 572 |
| Fair value gains on derivative financial instruments | – | (11) |
| Interest expense | 879 | 1,167 |
| Interest income | (241) | (294) |
| Loss on disposal of property, plant and equipment | – | 26 |
| Net realised gains on derivative financial instruments | – | (104) |
| Reversal of inventories written down | (195) | – |
| Operating cash flows before movements in working capital | (2,216) | (4,086) |
| Inventories | 900 | 1,928 |
| Trade and other receivables | (3,045) | (12,595) |
| Trade and other payables | 2,395 | 18,954 |
| Currency translation differences | 2 | (200) |

| | The Group 3 months period ended | |
|---|---|---|
| | 31 July 2015 | 31 July 2014 |
| | *US$'000* | *US$'000* |
| **Cash (used in)/generated from operations** | (1,964) | 4,001 |
| Income tax paid, net | (32) | (34) |
| Interest income received | 241 | 294 |
| **Net cash (used in)/generated from operating activities** | (1,755) | 4,261 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | – | 2 |
| Purchase of property, plant and equipment | (119) | (3,067) |
| Acquisition of land use rights | – | (382) |
| Net cash received from realised derivative financial instruments | 11 | 104 |
| **Net cash used in investing activities** | (108) | (3,343) |
| **Cash flows from financing activities** | | |
| Repayment to non-controlling shareholder | (63) | – |
| Increase in pledged deposits | (166) | (5,952) |
| Net proceeds from/(settlement of) short-term borrowings and bills payable | 2,966 | (2,233) |
| Drawdown of long-term bank borrowings | – | 16,844 |
| Repayments of long-term bank borrowings | (250) | (1,250) |
| Interest expense paid | (879) | (1,167) |
| **Net cash generated from financing activities** | 1,608 | 6,242 |
| **Net (decrease)/increase in cash and cash equivalents** | (255) | 7,160 |
| Cash and cash equivalents at beginning of period | 1,074 | 12,780 |
| **Cash and cash equivalents at end of period** | 819 | 19,940 |
| Cash and cash equivalents are represented by: | | |
| Cash and bank balances and fixed deposits | 33,369 | 59,933 |
| Less: Fixed deposits pledged | (32,550) | (39,993) |
| | 819 | 19,940 |

**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**

| | Share capital *US$'000* | Accumulated losses *US$'000* | Foreign currency translation reserve *US$'000* | Statutory reserve *US$'000* | Other Reserve *US$'000* | Equity attributable to owners of the Company *US$'000* | Non-controlling interests *US$'000* | Total equity *US$'000* |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Balance at 1 May 2014** | 32,239 | (190) | 1,258 | 33 | 2,680 | 36,020 | 4,897 | 40,917 |
| Total comprehensive loss for the period | – | (5,058) | (154) | – | – | (5,212) | (462) | (5,674) |
| **Balance at 31 July 2014** | 32,239 | (5,248) | 1,104 | 33 | 2,680 | 30,808 | 4,435 | 35,243 |
| **Balance at 1 May 2015** | 32,239 | (22,446) | 1,439 | 33 | 2,832 | 14,097 | 2,435 | 16,532 |
| Transfer to other reserve | – | (38) | – | – | 38 | – | – | – |
| Total comprehensive loss for the period | – | (3,166) | (48) | – | – | (3,214) | (202) | (3,416) |
| **Balance at 31 July 2015** | 32,239 | (25,650) | 1,391 | 33 | 2,870 | 10,883 | 2,233 | 13,116 |

| | Share capital *US$'000* | (Accumulated losses)/ Retained earnings *US$'000* | Other Reserve *US$'000* | Total equity *US$'000* |
|---|---|---|---|---|
| **Company** | | | | |
| **Balance at 1 May 2014** | 108,740 | 594 | 2,601 | 111,935 |
| Loss and total comprehensive loss for the period | – | (89) | – | (89) |
| **Balance at 31 July 2014** | 108,740 | 505 | 2,601 | 111,846 |
| **Balance at 1 May 2015** | 108,740 | (216) | 2,601 | 111,125 |
| Loss and total comprehensive loss for the period | – | (176) | – | (176) |
| **Balance at 31 July 2015** | 108,740 | (392) | 2,601 | 110,949 |

**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 July 2015 and 30 April 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 July 2015 and 31 July 2014.

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

**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 July 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 July 2015 and 30 April 2015.

**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 financial information as set out in section 1, 4, 5 and 6 of this announcement have been extracted from the consolidated condensed interim financial information that have been reviewed in accordance with Singapore Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Please refer to the review report from the Independent Auditor as enclosed in Annexure 1.

**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 for the current and prior reporting periods.

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

Please refer to Item 4 above.

**6. (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** | |
| | **31 July 2015** | **31 July 2014** |
| | *(in US Cents)* | *(in US Cents)* |
| Loss per ordinary shares: | | |
| (a) Based on weighted average number of ordinary shares on issued; and | (1.85) | (2.96) |
| (b) On a fully diluted basis | (1.85) | (2.96) |
| Details: | | |
| Loss attributable to shareholders (stated in US$'000) | (3,166) | (5,058) |

| | **Number of shares (stated in '000)** | |
|---|---|---|
| | **3 months period ended** | |
| | **31 July 2015** | **31 July 2014** |
| Weight average number of ordinary shares | 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 31 July 2015** | **As at 30 April 2015** | **As at 31 July 2015** | **As at 30 April 2015** |
| | *(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 | 7.7 | 9.7 | 65.0 | 65.1 |
| 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**

For the first quarter ended 31 July 2015 ("1QFY2016"), the trading segment maintains usual active business status, the tinplate manufacturing segment is dormant for temporary suspension and it is expected to resume to normal operation once the additional funding comes in, whereas the tinplate processing segment continues.

The Group's recorded total approximately US$3.4 million loss after tax for 1QFY2016, the Group believes that with the potential strategic investment in the near future, the Group's business will resume to climb in the next half of FY2016.

**Revenue**

The Group's revenue decreased by approximately 63.4% from approximately US$62.6 million for the three months period ended 31 July 2014 ("1QFY2015") to approximately US$22.9 million for 1QFY2016. The revenue was attributable to contributions from the international trading and tinplate processing plant in Tianjin, and 1% sales comes from selling of closing stocks from tinplate manufacturing segment.

Revenue from international steel trade business, major business segment, accounted for approximately 73.6% of the Group's total revenue for 1QFY2016, representing approximately US$16.6 million. Revenue from tinplate processing contributed approximately 26.3% for 1QFY2016, representing approximately US$6 million.

**Gross loss**

The Group's gross loss was approximately US$38,000 for 1QFY2016 as compared with gross loss of approximately US$448,000 for 1QFY2015, which was mainly due to tinplate manufacturing production is still dormant and the production and manufacturing overhead costs were saved, while the Group continued its trading activities.

**Other income**

Other income increased from approximately US$851,000 for 1QFY2015 to approximately US$963,000 for 1QFY2016 because of reversal of inventories written down of approximately US$195,000.

**Distribution and selling expenses**

The Group's distribution and selling expenses decreased by approximately US$1.3 million from approximately US$1.9 million for 1QFY2015 to approximately US$0.6 million for 1QFY2016, mainly due to the big drop of freight charges by US$1.4 million owing to reduced revenue for 1QFY2016.

**Administrative expenses**

Administrative expenses increased from approximately US$2.3 million for 1QFY2015 to approximately US$2.8 million for 1QFY2016, primarily due to the increase in depreciation charge of US$0.2 million from property, plant and equipment.

**Other expenses**

No other expenses incurred in the current reported period.

**Finance costs**

The finance costs were reduced from approximately US$1.4 million for 1QFY2015 to approximately US$0.9 million for 1QFY2016, primarily due to lower discounted bills charges.

**Review of Financial Position and Cash Flows**

**Inventories**

For 1QFY2016, inventory decreased from approximately US$3.9 million to approximately US$3.2 million because of closing stock sales without production in Jiangsu plant.

**Trade and other receivables**

Trade and other receivables increased to US$45.4 million at 31 July 2015 from approximately US$42.4 million at 30 April 2015, due to trade receivables from Tianjin tinplate processing business.

**Trade and other payables**

Trade and other payables increased from approximately US$63.5 million at 30 April 2015 to approximately US$66.0 million at 31 July 2015, mainly due to increase of trade payable from Tianjin tinplate processing business.

**Liquidity and financial resources**

The Group's total borrowings increased by approximately US$2.5 million from approximately US$77.3 million at 30 April 2015 to approximately US$79.8 million at 31 July 2015. The said increase in borrowing was mainly due to the controlling shareholder's financial support.

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

Not applicable.

## 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

### FUTURE PROSPECTS

On 14 August 2015, a sale and purchase agreement was entered into between Golden Star Group Limited and the controlling shareholders of the Company for the disposal of an aggregate of approximately 54.87% shares in the issued share capital of the Company, which, if completed, will lead to a takeover offer of shares in the Company. For details, please refer to the Company's announcements released on 13 August 2015, 17 August 2015 and 1 September 2015.

### FUTURE PROSPECTS

#### Trading Business

Iron ore led declines among metals 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 better results.

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

While the new initiative of "Belt and Road" and the establishment of "The Asian Infrastructure Investment Bank" are widely anticipated to provide opportunities to steel and raw materials trading business in Asia, in particular, great potential of raw material consumption on growth in Asian countries outside China, the Group will strive to increase sales orders, boost sales volume and raise gross profit per ton in order to maximise profits, and stay close to the market on such changes for lead advantage opportunities.

#### Tinplate Manufacturing Project

The tinplate manufacturing project in Jiangsu is expected to resume to normal operation once additional funding comes in. It will concentrate on export markets, directly to end-users in canning sectors. 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 response among metal packaging suppliers.

**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.

**(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 first quarter ended 31 July 2015.

**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 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 1QFY2016 to be false or misleading in any material aspect.

**By order of the Board**

| | |
|---|---|
| **Yu Wing Keung Dicky** | **Chow Kin Wa** |
| *Executive Chairman* | *Executive Director and CEO* |

14 September 2015

**Annexure I**

**TO THE BOARD OF DIRECTORS OF**
**NOVO GROUP LTD.**

**REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 JULY 2015**

**Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Novo Group Ltd. (the "Company") and its subsidiaries (the "Group") as at 31 July 2015, and the related condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows of the Group, and condensed statement of changes in equity of the Company for the three months period then ended and other explanatory notes (collectively referred to as the "unaudited condensed interim financial statements") as set out on pages 5 to 28.

Management is responsible for the preparation and presentation of these unaudited condensed interim financial statements in accordance with Singapore Financial Reporting Standard 34 *Interim Financial Reporting*.

Our responsibility is to express a conclusion on these unaudited condensed interim financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

1. *Comparative information*

The comparative unaudited condensed interim financial statements for the three months ended 31 July 2014 have not been audited or reviewed. In our auditor's report dated 31 July 2015, we disclaimed an opinion on the statements of financial position of the Group and the Company as at 30 April 2015 which are the comparative figures in the condensed statements of financial position. The basis for disclaimer of opinion on the financial statements for the financial year ended 30 April 2015 are disclosed in Note 20 to the unaudited condensed interim financial statements.

Our conclusion on the unaudited condensed interim financial statements for the three months ended 31 July 2015 is also modified because of the possible effect of these matters on the comparability of the current period's figures and the corresponding figures.

2. *Investments in subsidiaries and amounts due from subsidiaries*

As disclosed in Note 10 to the unaudited condensed interim financial statements, the Company's investments in subsidiaries and amounts due from subsidiaries are carried at cost amounted to US$79,460,000 and US$42,355,000 respectively. Management determined that there is no impairment to the Company's investments in subsidiaries and amounts due from subsidiaries as their recoverable amounts exceed the net carrying values as at 31 July 2015.

Based on the information available to us, we are unable to obtain sufficient appropriate evidence about the recoverable amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as at 31 July 2015. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Company's investments in subsidiaries and amounts due from subsidiaries as at 31 July 2015 are necessary.

**Qualified Conclusion**

Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed interim financial statements are not prepared, in all material respects, in accordance with Singapore Financial Reporting Standard 34 Interim Financial Reporting.

**Emphasis of Matter**

*1. Going concern*

We draw attention to Note 2(a) to the unaudited condensed interim financial statements with respect to the Group's ability to continue as a going concern. The Group incurred a net loss of US$3,365,000 (three months ended 31.7.2014: US$5,401,000) and reported net cash outflows from operating activities of US$1,755,000 (three months ended 31.7.2014: net cash inflows of US$4,261,000) during the financial period ended 31 July 2015. As at that date, the Group's current liabilities exceeded its current assets by US$58,901,000 (30.4.2015: US$42,895,000).

As disclosed in Note 13 to the unaudited condensed interim financial statements, the Group breached the financial covenants of certain borrowings during the financial period. In addition, the Group also defaulted on the repayment of certain borrowings on the respective due dates.

As disclosed in Note 8 to the unaudited condensed interim financial statements, a subsidiary within the tinplate manufacturing segment has suspended its operations since February 2015 and yet to resume its operations as of the date of this report.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The unaudited condensed interim financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the unaudited condensed interim financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the unaudited condensed interim financial statements. This assumption is premised on future events, the outcome of which is inherently uncertain.

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the condensed statements of financial position. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these unaudited condensed interim financial statements.

2. *Recoverable amount of property, plant and equipment*

We draw attention to the significant disclosure in Note 8 to the unaudited condensed interim financial statements which describes the material estimation uncertainty surrounding the management's assessment for expected recoverable amount of property, plant and equipment. As at 31 July 2015, the net carrying value of property, plant and equipment amounted to US$72,518,000 (30.4.2015: US$73,131,000) and no allowance for impairment is provided as at 31 July 2015. The estimation of the expected recoverable amount involves significant assumptions on the expected future cash flows and pre-tax discount rate used in value-in-use calculations. Changes in these assumptions and estimations could affect the determination of the expected recoverable amount of property, plant and equipment, and therefore there is a significant risk that a material adjustment to the allowance for impairment on the Group's property, plant and equipment as at 31 July 2015 may be required in the future periods.

**Restriction on Use**

Our review report is provided on the basis that it is solely for the information of the directors of the Company to enable the directors of the Company to fulfil their responsibilities under Rule 25 of the Singapore Code on Take-overs and Mergers and the requirements of the Listing Rules of the Singapore Exchange Securities Trading Limited. Our review report should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purpose. We do not assume any responsibility or liabilities for losses occasioned to the directors of the Company or any other party as a result of the circulation, publication, reproduction or use of the report contrary to the provision of this paragraph.

**Baker Tilly TFW LLP**
*Public Accountants and Chartered Accountants*
**Singapore**

14 September 2015

13 November 2015

The Board of Directors

**Novo Group Ltd.**
24 Raffles Place
#10-05 Clifford Centre
Singapore 048621

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER TO ACQUIRE ALL OF THE ISSUED SHARES OF NOVO GROUP LTD. ("NOVO" OR THE "COMPANY") OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY GOLDEN STAR GROUP LIMITED (THE "OFFEROR") AND PARTIES ACTING IN CONCERT WITH IT**

This letter is prepared for inclusion in the offeree board circular to Shareholders dated 13 November 2015 (the "**Circular**") in relation to the mandatory unconditional cash offer by Deloitte & Touche Corporate Finance Limited and Deloitte & Touche Corporate Finance Pte Ltd for and on behalf of the Offeror to acquire all of the Offer Shares. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular, shall have the same meanings herein.

On 14 September 2015, the Company announced the unaudited condensed interim financial statements of the Group for the three months ended 31 July 2015 (the "**1QFY2016 Results**"). We have examined the 1QFY2016 Results and have discussed the same with the management of the Company who is responsible for its preparation. We have also considered the report by Baker Tilly TFW LLP (the Company's external auditors) dated 14 September 2015 on their review of the 1QFY2016 Results ("**Interim Review**").

Based on the Interim Review, we note that Baker Tilly TFW LLP had expressed a qualified conclusion on the 1QFY2016 Results and had included an emphasis of matter in respect of certain matters in the 1QFY2016 Results. For more details, please refer to the Interim Review by Baker Tilly TFW LLP dated 14 September 2015.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all financial and other information provided to us by the Company. Save as provided in this letter, we do not express any other opinion or views on the 1QFY2016 Results. The Board of Directors of the Company remains solely responsible for the 1QFY2016 Results.

Based on the above, we are of the opinion that the 1QFY2016 Results have been prepared by the Company after due and careful enquiry.

This letter is provided to the Board of Directors of the Company solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept any responsibility to any person(s), other than the Board of Directors of the Company, in respect of, arising out of, or in connection with this letter.

Yours faithfully
For and on behalf of
**CIMB BANK BERHAD, SINGAPORE BRANCH**

| | |
|---|---|
| **MAH KAH LOON** | **ERIC WONG** |
| *MANAGING DIRECTOR AND HEAD* | *DIRECTOR* |
| *INVESTMENT BANKING* | *INVESTMENT BANKING* |

## 5. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Circular, the Group had the following indebtedness:

### (a) Borrowings and indebtedness

At the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had outstanding unsecured bank borrowings and other borrowings of approximately US$60.1 million and US$19.9 million, respectively, of which approximately US$60.1 million of bank borrowings were guaranteed by the Group and the ultimate holding company.

### (b) Mortgages and the charges

At the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the borrowings of US$0.51 million was secured by a property of the Group located in Shanghai.

### (c) Capital commitments

At the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had capital commitments, contracted but not provided for, amounting to US$11.2 million.

### (d) Contingent liabilities and guarantees

At the close of business on 31 August 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had discounted bills with recourse supported by letter of credit, amounting to US$1.9 million and the corporate guarantees issued by the Company to banks in respect of banking facilities of its subsidiaries, which amounts utilised by subsidiaries are US$66.8 million.

Save as aforesaid and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, as at the close of business on 31 August, 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, there were no other (i) debt securities of the issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) borrowings or indebtedness in the nature of borrowings of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; and (iii) any contingent liabilities or guarantees of the Group.

## 6. DISCLOSURE OF MATERIAL CHANGE UNDER HK TAKEOVERS CODE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 30 April 2015, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

*The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2015 of the properties.*

ROMA

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13 November 2015

**Novo Group Ltd.**
Units 1109-1111, 11th Floor
China Merchants Tower, Shun Tak Centre,
168 Connaught Road Central,
Hong Kong

Dear Sir/Madam,

**Re: Various Properties in Hong Kong and the People's Republic of China**

In accordance with your instructions for us to value the properties held by Novo Group Ltd. (the "Company") and / or its subsidiaries (together with the Company referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2015 for the purpose of incorporation in the circular of the Company dated 13 November 2015.

## 1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

## 2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties held by the Group are categorized into the following groups:

- Group I – Property held by the Group for owner-occupation in Hong Kong; and
- Group II – Properties held by the Group for owner-occupation in the PRC;

## 3. VALUATION METHODOLOGIES

For property Nos. 1 and 4, we have valued the properties by the direct comparison approach assuming sale of the properties in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For property Nos. 2 and 3, due to the specific purpose for which most of the buildings and structures of the properties have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach ("DRC") is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized properties, due to the lack of market comparables available. Our valuations do not necessarily represent the amount that might be realized from the disposition of the properties and the DRC is subject to adequate profitability of the concerned business.

## 4. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out title search at the land registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal advisor – Jian Da Law Firm（廣東景達律師事務所）regarding the titles of the properties in the PRC. All documents have been used for reference only.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

## 5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

## 6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site / floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

## 7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site / floor areas of the properties under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which would arise on the disposal of the property interests held by the Group in the PRC, for the amount of market value minus the cost of purchase, comprise Chinese business tax (5% of net revenue), Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax and Chinese stamp duty (0.05% of the consideration stated in sales contract). The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents. It is unlikely that such tax liability will be crystallized in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuations, we have neither verified nor taken into account such tax liability. Except for applicable stamp duties, the potential gain arising from the sales of the property in Hong Kong shall be capital in nature and not subject to any taxation.

## 8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (HK$) and Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
**Roma Appraisals Limited**

**Dr. Alan W K Lee**
BCom (Property) MFin PhD (BA)
MHKIS RPS (GP) AAPI CPV CPV (Business)
*Associate Director*

**Frank F Wong**
BA (Business Admin) MSc (Real Estate)
MRICS Registered Valuer
*Associate Director*

*Note:* Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 11 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Mr. Frank F Wong is a Chartered Surveyor and Registered Valuer who has 16 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 8 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

## SUMMARY OF VALUES

**Group I – Property held by the Group for owner-occupation in Hong Kong**

| No. | Property | Market Value in Existing State as at 30 September 2015 |
|---|---|---|
| 1. | Units 9-11 on 11th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong | HK$81,100,000 |
| | **Total:** | **HK$81,100,000** |

**Group II – Properties held by the Group for owner-occupation in the PRC**

| No. | Property | Market Value in Existing State as at 30 September 2015 |
|---|---|---|
| 2. | An industrial complex located at No.200 Zhongnaner Street, West Zone of Tianjin Economic Technological Development Zone, Tianjin, The PRC<br><br>中國天津天津經濟技術開發區西區中南二街200號之工業項目 | RMB19,700,000 |
| 3. | An industrial complex located at Chuangyeda Road, Daduo Town, Xinghua City, Jiangsu Province, The PRC<br><br>中國江蘇省興化市大垛鎮創業大道之工業項目 | RMB70,700,000 |

| No. | Property | Market Value in Existing State as at 30 September 2015 |
|---|---|---|
| 4. | Room 316,<br>No.2 of 2899 Alley of<br>Guangfuxi Road,<br>Putuo District,<br>Shanghai,<br>The PRC<br><br>中國上海普陀區<br>光復西路2899弄<br>2號316室 | RMB9,000,000 |
| | **Total:** | **RMB99,400,000** |

## VALUATION CERTIFICATE

### Group I – Property held by the Group for owner-occupation in Hong Kong

| No. | Property | Description and Tenure | Particulars of Occupancy | Market Value in Existing State as at 30 September 2015 |
|---|---|---|---|---|
| 1. | Units 9-11 on 11th Floor, China Merchants Tower, Shun Tak Centre, Nos.168-200 Connaught Road Central, Hong Kong<br><br>63/33,888th equal and undivided shares of and in Inland Lot No.8517 | The property comprises 3 office units on 11th floor of a 40-storey commercial/office building over a basement was completed in 1986.<br><br>As per measurement of the floor plan, the property has a saleable area of approximately 2,795 sq.ft. (or about 259.7 sq.m.).<br><br>As advised by the Group, the property has a total gross floor area ("GFA") of approximately 4,535 sq.ft. (or about 421.31 sq.m.).<br><br>The property is held under Conditions of Grant No.UB11612 for a term of 75 years renewable for 75 years commencing on 31 December 1980. | As advised, the property is occupied by the Group for office use. | HK$81,100,000 |

*Notes:*

1. The registered owner of the property is Novo Commodities Limited, a subsidiary of the Group, vide Memorial Nos.06081701850025 and 10041901200083 dated 18 July 2006 and 29 March 2010 for Units 9 and 10-11 of the property respectively.

2. The property is subject to the following material encumbrances:

   a. Tripartite Legal Charge/Mortgage in favour of Citic Bank International Limited vide Memorial No.12071201000052 dated 27 June 2012.;

   b. Second Legal Charge/Mortgage in favour of China Citic Bank International Limited vide Memorial No.15050601860016 dated 28 April 2015; and

   c. Third Legal Charge/Mortgage in favour of China Citic Bank International Limited vide Memorial No.15052101740043 dated 15 May 2015.

3. Our inspection was performed by Mr. Frank F. Wong in November 2015.

4. The property lies within an area zoned as "Commercial" under Central District Outline Zoning Plan No.S/H4/24.

## Group II – Properties held by the Group for owner-occupation in the PRC

| No. | Property | Description and Tenure | Particulars of Occupancy | Market Value in Existing State as at 30 September 2015 |
|---|---|---|---|---|
| 2. | An industrial complex located at No.200 Zhongnaner Street, West Zone of Tianjin Economic Technological Development Zone, Tianjin, The PRC<br><br>中國天津天津經濟技術開發區西區中南二街200號之工業項目 | The property comprises a parcel of land with a site area of approximately 25,000 sq.m. with various buildings erected thereon which were completed in about 2013.<br><br>The total gross floor area of the property is approximately 6,476.1 sq.m..<br><br>The land use rights of the property have been granted for a term expiring on 8 September 2059 for industrial use. | As advised, the property is occupied by the Group for industrial use. | RMB19,700,000 |

*Notes:*

1. Pursuant to a Tianjin Real Estate Ownership Certificate, Fang Di Zheng Jin Zi Di No. 114011400630（房地証津字第114011400630號）dated 25 February 2014, the land use rights of the property with a site area of approximately 25,000 sq.m. and a total gross floor area of approximately 6,476.1 sq.m. has been granted to Novo Development (Tianjin) Limited ("NDTJ")（新源鋼鐵發展(天津)有限公司）, which is a subsidiary of the Group for a term expiring on 8 September 2059 for industrial use.

2. The status of title in accordance with the information provided by the Group is as follows:

   Tianjin Real Estate Ownership Certificate Yes

3. Our inspection was performed by Ms. Vinci Q. J. Hou M.Sc., with over 1-year property valuation experience, in November 2015.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

   a. NDTJ is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government; and

   b. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

| No. | Property | Description and Tenure | Particulars of Occupancy | Market Value in Existing State as at 30 September 2015 |
|---|---|---|---|---|
| 3. | An industrial complex located at Chuangyeda Road, Daduo Town, Xinghua City, Jiangsu Province, The PRC<br><br>中國江蘇省興化市大垛鎮創業大道之工業項目 | The property comprises 9 parcels of land with a total site area of approximately 169,149 sq.m. with various buildings erected thereon which were completed in about 2010.<br><br>The property has a total gross floor area of about 30,834.98 sq.m..<br><br>The property also comprises some uncompleted structures which are not currently being developed and no immediate development potential. For details, please refer to Notes 5 and 9(b).<br><br>The land use rights of the property has been granted for various terms with the latest term expiring on 21 October 2063 for industrial use. | As advised, the property is occupied by the Group for industrial use. | RMB70,700,000 |

*Notes:*

1. Pursuant to various State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 169,149 sq.m. have been granted to Novowell ETP Limited ("NWETP") (新源同昌包裝材料(泰州)有限公司), Novowell Lamination Technology (Taizhou) Limited ("Novowell Lamination") (新源同昌覆膜科技(泰州)有限公司) and Taizhou Hua Yong Storage Limited ("Taizhou Hua Yong") (泰州華永倉儲有限公司), which are subsidiary of the Group, for a term of 50 years for industrial use. The details of which are as follows:

| Item | Land Use Rights Certificate No. | Owner | Expiry Date | Site Area *(sq.m.)* |
|---|---|---|---|---|
| 1 | Xing Guo Yong (2013) No.4322 | NWETP | 16-Jan-63 | 21,673.60 |
| 2 | Xing Guo Yong (2012) No.0018 | NWETP | 8-Jan-62 | 10,019.70 |
| 3 | Xing Guo Yong (2012) No.0019 | NWETP | 8-Jan-62 | 15,655.60 |
| 4 | Xing Guo Yong (2011) No.4667 | NWETP | 10-Feb-58 | 26,669.60 |
| 5 | Xing Guo Yong (2011) No.4668 | NWETP | 10-Feb-58 | 23,288.00 |
| 6 | Xing Guo Yong (2014) No.242 | Novowell Lamination | 1-Jun-63 | 22,534.00 |
| 7 | Xing Guo Yong (2014) No.245 | Novowell Lamination | 1-Jun-63 | 21,677.60 |
| 8 | Xing Guo Yong (2014) No.684 | Taizhou Hua Yong | 23-Feb-58 | 19,632.50 |
| 9 | Xing Guo Yong (2014) No.685 | Taizhou Hua Yong | 21-Oct-63 | 7,998.40 |
| | | | **Total:** | **169,149.00** |

2. Pursuant to 2 Rural Building Ownership Certificates Nos. 321281352512035 and 321281352514012, the property with a total gross floor area of approximately 28,071.08 sq.m. have been granted to NWETP and the property with a total gross floor area of approximately 2,763.90 sq.m. have been granted to Taizhou Hua Yong.

3. As per the Group's PRC legal advice, we have attributed no commercial value to the uncompleted structures of the property which are not currently being developed and no immediate development potential.

4. Pursuant to a Mortgage Contract of Maximum Amount – dated 8 March 2012, the land use rights of 2 parcels of land with a total area of approximately 25,675.3 sq.m. under the State-owned Land Use Rights Certificates – Xing Guo Yong (2012) Di Nos. 0018 and 0019（興國用(2012)第0018及0019號）of Lot Nos. 027-1402-018 and 027-1402-019 are subject to a mortgage in favour of CITIC Bank International Limited, as security to guarantee the principal obligation under a contracts for a maximum amount of USD24,000,000 with the security term of 33 months from first drawdown.

5. Pursuant to a Mortgage Contract of Maximum Amount -dated 8 March 2012, the land use rights of 2 parcels of land with a total area of approximately 49,957.9 sq.m. under the State-owned Land Use Rights Certificates – Xing Guo Yong (2011) Di Nos. 04668 and 04667（興國用(2011)第04668及04667號）of Lot Nos. 027-0002-021 and 027-0002-022 are subject to a mortgage in favour of CITIC Bank International Limited, as security to guarantee the principal obligation under a contracts for a maximum amount of USD24,000,000 with the security term of 33 months from first drawdown.

6. Pursuant to a Mortgage Contract of Maximum Amount -dated 1 July 2013, the land use rights of 2 parcels of land with a total area of approximately 65,613.2 sq.m. under the State-owned Land Use Rights Certificates – Xing Guo Yong (2011) Di Nos.04668 and 04667（興國用(2011)第04668及04667號）and Xing Guo Yong (2012) Di No. 0019（興國用(2012)第0019號）of Lot Nos. 027-0002-021, 027-0002-022 and 027-1402-019, buildings with a total floor area of approximately 27,671.08 sq.m. under Village Town Building Ownership Certificates（村鎮房屋所有權証）No. 321281352512035 are subject to a mortgage in favour of CITIC Bank International Limited, as security to guarantee the principal obligation under a contracts for a maximum amount of USD24,000,000 with the security term of 33 months from first drawdown.

7. The status of title in accordance with the information provided by the Group is as follows:

| | |
|---|---|
| State-owned Land Use Rights Certificates | Yes |
| Rural Building Ownership Certificates | Yes |

8. Our inspection was performed by Ms. Joanna T. Y. Cheung B.Sc., with over 2-years property valuation experience, in November 2015.

9. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

   a. NWETP, Novowell Lamination and Taizhou Hua Yong is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. For the uncompleted structures of the property, the Company may need to reapply the Construction Working Planning Permit in order to comply with the latest construction regulations by the relevant authorities; and

   c. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

| No. | Property | Description and Tenure | Particulars of Occupancy | Market Value in Existing State as at 30 September 2015 |
|---|---|---|---|---|
| 4. | Room 316, No.2 of 2899 Alley of Guang Fu Xi Road, Pu Tuo District, Shanghai, The PRC<br><br>中國上海普陀區光復西路2899弄2號316室 | The property comprises an office unit on the level 3 of a 13-storey office building, completed in about 2011.<br><br>The property has a salable area of approximately 206.7 sq.m. and a gross floor area of approximately 284.36 sq.m..<br><br>The land use rights of the property has been granted for a term commencing on 24 April 2009 and expiring on 23 April 2059 for office, commercial and cultural composite uses. | As advised, the property is occupied by the Group for office use. | RMB9,000,000 |

*Notes:*

1. Pursuant to a Shanghai Certificate of Real Estate Ownership, Hu Fang Di Pu Zi (2012) No.000642（滬房地普字(2012)第000642號）dated 17 January 2012, the land use rights of the property with a gross floor area of approximately 284.36 sq.m. has been granted to Qianghua Trading (Shanghai) Limited ("**Qianghua**")(上海強華貿易有限公司), which is a subsidiary of the Group, for a term of commencing on 24 April 2009 and expiring on 23 April 2059 for office, commercial and cultural composite uses.

2. The status of title in accordance with the information provided by the Group is as follows:

   Shanghai Certificate of Real Estate Ownership Yes

3. Our inspection was performed by Dr. Alan W.K. Lee in November 2015.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

   a. Qianghua is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government; and

   b. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.