

YORKSHINE HOLDINGS LIMITED

(formerly known as NOVO GROUP LTD.)

(Incorporated in Singapore)

(Co. Reg. No. 198902648H)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2016

PART I INFORMATION REQUIRED FOR SECOND QUARTER ANNOUNCEMENT

The board of directors (the “Board”) of Novo Group Ltd. (the “Company”, and, together with its subsidiaries, the “Group”) wishes to announce the following unaudited results of the Group for the second quarter ended 31 October 2016.

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

Income Statement for the Second Quarter ended 31 October 2016

	The Group					
	3 months period ended			6 months period ended		
	31-Oct 2016 US\$'000	31-Oct 2015 US\$'000 (Restated) (Note A)	Increase/ (Decrease) %	31-Oct 2016 US\$'000	31-Oct 2015 US\$'000 (Restated) (Note A)	Increase/ (Decrease) %
Continuing operations						
Revenue	26,315	39,531	-33%	48,748	56,401	-14%
Cost of sales	(26,156)	(38,874)	-33%	(48,092)	(55,631)	-14%
Gross profit	159	657	-76%	656	770	-15%
Other income	104	222	-53%	4,441	894	>100%
Distribution and selling expenses	(131)	(581)	-77%	(411)	(1,128)	-64%
Administrative expenses	(2,094)	(2,848)	-26%	(3,858)	(5,475)	-30%
Other operating expenses	(17)	(1,108)	-98%	(86)	(1,108)	-92%
Finance costs	(81)	(843)	-90%	(410)	(1,486)	-72%
(Loss)/profit before tax	(2,060)	(4,501)	-54%	332	(7,533)	<-100%
Income tax credit/(expenses)	10	(19)	<-100%	3	(25)	<-100%
(Loss)/profit for the period from continuing operations, net of tax	(2,050)	(4,520)	-55%	335	(7,558)	<-100%

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	The Group					
	3 months period ended			6 months period ended		
	31-Oct 2016 US\$'000	31-Oct 2015 US\$'000 (Restated) (Note A)	Increase/ (Decrease) %	31-Oct 2016 US\$'000	31-Oct 2015 US\$'000 (Restated) (Note A)	Increase/ (Decrease) %
Discontinued operations						
Profit/(loss) from discontinued operations, net of tax	<u>1</u>	<u>(471)</u>	<u><-100%</u>	<u>178</u>	<u>(798)</u>	<u><-100%</u>
(Loss)/profit for the period	<u>(2,049)</u>	<u>(4,991)</u>	<u>-59%</u>	<u>513</u>	<u>(8,356)</u>	<u><-100%</u>
(Loss)/profit for the period attributable to:						
Equity holders of the Company	<u>(2,026)</u>	<u>(4,588)</u>		<u>488</u>	<u>(7,754)</u>	
Non-controlling interest	<u>(23)</u>	<u>(403)</u>		<u>25</u>	<u>(602)</u>	
(Loss)/profit for the period	<u>(2,049)</u>	<u>(4,991)</u>		<u>513</u>	<u>(8,356)</u>	

Note A:

Tinplate processing segment has been discontinued since 28 April 2016. As a result, certain comparative figures have been reclassified to conform with the current period's presentation.

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Consolidated Statement of Comprehensive Income

	The Group					
	3 months period ended			6 months period ended		
	31-Oct	31-Oct	Increase/	31-Oct	31-Oct	Increase/
	2016	2015	(Decrease)	2016	2015	(Decrease)
<i>US\$'000</i>	<i>US\$'000</i>	%	<i>US\$'000</i>	<i>US\$'000</i>	%	
(Loss)/profit for the period	(2,049)	(4,991)	-59%	513	(8,356)	<-100%
Other comprehensive						
(expenses)/income for the						
period, net of tax						
Exchange differences on						
translation of the Group's						
overseas operations						
	<u>(974)</u>	<u>165</u>	<u><-100%</u>	<u>(2,441)</u>	<u>(423)</u>	<u>>100%</u>
Total comprehensive expenses						
for the period	<u>(3,023)</u>	<u>(4,826)</u>		<u>(1,928)</u>	<u>(8,779)</u>	
Attributable to:						
Equity holders of the Company	(2,927)	(4,588)		(1,771)	(8,150)	
Non-controlling interests	<u>(96)</u>	<u>(238)</u>		<u>(157)</u>	<u>(629)</u>	
Total comprehensive expenses						
for the period	<u>(3,023)</u>	<u>(4,826)</u>		<u>(1,928)</u>	<u>(8,779)</u>	

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

	The Group			
	3 months period ended		6 months period ended	
	31-Oct	31-Oct	31-Oct	31-Oct
	2016	2015	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Restated)		(Restated)
		<i>(Note A)</i>		<i>(Note A)</i>
Loss for the period for the continuing operation is stated after charging/ (crediting):				
Amortisation of deferred income	(80)	(1)	(160)	(69)
Amortisation of land use rights	25	27	50	41
Depreciation of property, plant and equipment	535	2,368	1,080	1,287
Fair value losses on derivative financial instruments	–	–	–	11
Interest expenses	51	1,064	358	1,296
Interest income	–	(23)	(2)	(47)
Net exchange losses/(gains)	17	1,059	85	1,107
Net realized gains on derivative financial instruments	–	–	–	(11)
Gain on disposal of property, plant and equipment	–	–	(4,159)	–

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

	<u>The Group</u>		<u>The Company</u>	
	As at 31 October 2016 <i>US\$'000</i>	As at 30 April 2016 <i>US\$'000</i> (Restated) (Note B)	As at 31 October 2016 <i>US\$'000</i>	As at 30 April 2016 <i>US\$'000</i>
Non-current assets				
Property, plant and equipment	55,288	58,946	-	-
Land use rights	3,941	4,196	-	-
Goodwill	4	4	-	-
Investments in subsidiaries	-	-	110,973	110,960
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current assets	59,233	63,146	110,973	110,960
Current assets				
Inventories	820	874	-	-
Trade and other receivables	25,377	23,359	80	13
Tax recoverable	73	77	-	-
Cash and cash equivalents	6,564	9,778	6,012	21
	<hr/>	<hr/>	<hr/>	<hr/>
	32,834	34,088	6,092	34
Property held-for-sale	-	4,889	-	-
Disposal group assets classified as held-for-sale	31,298	44,371	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	64,132	83,348	6,092	34
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	123,365	146,494	117,065	110,994

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	The Group		The Company	
	As at 31 October 2016 US\$'000	As at 30 April 2016 US\$'000 (Restated) (Note B)	As at 31 October 2016 US\$'000	As at 30 April 2016 US\$'000
Non-current liabilities				
Borrowings	43,602	41,351	-	-
Deferred income	362	426	-	-
Total non-current liabilities	43,964	41,777	-	-
Current liabilities				
Trade and other payables	16,560	14,634	1,634	1,072
Deferred income	202	328	-	-
Borrowings	27,845	47,659	-	-
	44,607	62,621	1,634	1,072
Liabilities directly associated with disposal group classified as held-for-sale	30,966	44,225	-	-
Total current liabilities	75,573	106,846	1,634	1,072
Total liabilities	119,537	148,623	1,634	1,072
Net assets/(liabilities)	3,828	(2,129)	115,431	109,922

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	The Group		The Company	
	As at 31 October 2016 US\$	As at 30 April 2016 US\$	As at 31 October 2016 US\$	As at 30 April 2016 US\$
		(Restated) (Note B)		
Equity				
Share capital	38,390	32,239	114,890	108,739
Accumulated losses	(38,282)	(38,770)	(2,060)	(1,418)
Foreign currency translation reserve	(2,023)	236	-	-
Statutory reserve	33	33	-	-
Other reserves	2,957	2,957	2,601	2,601
Reserve of disposal group classified as held-for-sale	345	342	-	-
Total equity attributable to equity holders of the Company	1,420	(2,963)	115,431	109,922
Non-controlling interests	2,408	834	-	-
Total equity	3,828	(2,129)	115,431	109,922

Note B:

Please refer to paragraph 4 of this announcement for the details of the restatement.

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

	The Group		The Group	
	As at 31 October 2016		As at 30 April 2016	
	Secured	Unsecured	Secured	Unsecured
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amount repayable in one year or less	16,567	11,278	36,458	11,201
Amount repayable after one year	–	43,602	–	41,351

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1. (c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

Consolidated Statement of Cash Flows

	The Group			
	3 months period ended		6 months period ended	
	31-Oct	31-Oct	31-Oct	31-Oct
	2016	2015	2016	2015
<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	
		(Restated)	(Restated)	
		<i>(Note A)</i>	<i>(Note A)</i>	
Cash flows from operating activities				
Profit/(Loss) before tax from continuing operations	(2,060)	(4,501)	332	(7,533)
Profit/(Loss) before tax from discontinued operations	1	(471)	178	(798)
Adjustments for:				
Amortisation of deferred income	(80)	(1)	(160)	(69)
Amortisation of land use right	36	27	61	54
Bad debts written off	–	–	2	–
Depreciation of property, plant and equipment	671	2,368	1,216	3,101
Fair value losses on derivative financial instruments	–	–	–	11
Gain on disposal of property, plant and equipment	–	–	(4,159)	–
Interest expense	630	1,064	937	1,943
Interest income	(10)	(23)	(12)	(264)
Net realized gains on derivative financial instruments	–	–	–	(11)
Written off of receivables	–	75	–	83
Written down inventories	(862)	2	(862)	(193)

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	The Group			
	3 months period ended		6 months period ended	
	31-Oct	31-Oct	31-Oct	31-Oct
	2016	2015	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Restated)		(Restated)
		<i>(Note A)</i>		<i>(Note A)</i>
Operating cash flow before movements in working capital	(1,674)	(1,460)	(2,467)	(3,676)
Inventories	531	25	531	925
Trade and other receivables	6,018	(12,503)	(278)	(15,548)
Trade and other payables	(4,668)	(2,430)	1,533	(35)
Currency translation differences	(673)	390	(357)	391
Cash used in operations	(466)	(15,978)	(1,038)	(17,943)
Income tax credit/(paid)	(17)	24	(24)	(7)
Interest income received	10	23	12	264
Net cash used in operating activities	<u>(473)</u>	<u>(15,931)</u>	<u>(1,050)</u>	<u>(17,686)</u>

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	The Group			
	3 months period ended		6 months period ended	
	31-Oct	31-Oct	31-Oct	31-Oct
	2016	2015	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Restated)	(Restated)	
		<i>(Note A)</i>	<i>(Note A)</i>	
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	207	–	9,255	–
Purchase of property, plant and equipment	(6)	(386)	(12)	(505)
Net cash received from realized derivative financial instruments	–	–	–	11
Net cash used in investing activities	201	(386)	9,243	(494)
Cash flows from financing activities				
Advances	–	–	–	(64)
Decrease in fixed deposits and cash pledged	21,924	18,330	22,028	18,163
Payment of bank and other borrowings	(16,995)	(24,376)	(28,870)	(24,625)
Drawdown of bank borrowings	–	24,545	–	27,512
Interest expense paid	(630)	(1,064)	(937)	(1,943)
Net proceeds from share issued	6,151	–	6,151	–

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	The Group			
	3 months period ended		6 months period ended	
	31-Oct	31-Oct	31-Oct	31-Oct
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
		(Restated)		(Restated)
		(Note A)		(Note A)
Net cash generated from/ (used in) financing activities	10,450	17,435	(1,628)	19,043
Net increase in cash and cash equivalents	10,178	1,118	6,565	863
Cash and cash equivalents at beginning of period	6,211	819	9,824	1,074
Effect of currency translation on cash and cash equivalents	1,043	–	1,043	–
Cash and cash equivalents at end of period	17,432	1,937	17,432	1,937
Cash and cash equivalents are represented by:				
Cash and bank balances				
– Continuing operations	6,564	716	6,564	716
– Discontinuing operations	10,868	1,221	10,868	1,221
	17,432	1,937	17,432	1,937

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- 1. (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Statement of Changes in Equity

Group	Share capital US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000 (Restated)	Statutory reserve US\$'000	Other reserve US\$'000	Reserve of disposal group classified as held-for-sale US\$'000	Equity attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at									
1 May 2015 (Audited)	32,239	(22,446)	1,439	33	2,832	-	14,097	2,435	16,532
Transfer to other reserve	-	(38)	-	-	38	-	-	-	-
Total comprehensive expenses for the period	-	(7,754)	(396)	-	-	-	(8,150)	(629)	(8,779)
Balance at 31 October 2015 (Unaudited)	<u>32,239</u>	<u>(30,238)</u>	<u>1,043</u>	<u>33</u>	<u>2,870</u>	<u>-</u>	<u>5,947</u>	<u>1,806</u>	<u>7,753</u>
Balance at									
1 May 2016 (Audited) (Note C)	32,239	(38,770)	236	33	2,957	342	(2,963)	834	(2,129)
Placing shares	6,151	-	-	-	-	-	6,151	-	6,151
Total comprehensive (expenses)/income for the period	-	488	(2,259)	-	-	-	(1,771)	(157)	(1,928)
Reserve attribute to disposal group classified as held-for-sale	-	-	-	-	-	3	3	-	3
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	1,731	1,731
Balance at 31 October 2016 (Unaudited)	<u>38,390</u>	<u>(38,282)</u>	<u>(2,023)</u>	<u>33</u>	<u>2,957</u>	<u>345</u>	<u>1,420</u>	<u>2,408</u>	<u>3,828</u>

Note C:

Please refer to the page 58 to 61 on the audited financial statement for the year ended 30 April 2016 for certain qualified opinion raised the auditors of the Company.

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Company	Share capital	Retained earnings	Other reserve	Total equity
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Balance at				
1 May 2015 (Audited)	<u>108,739</u>	<u>(216)</u>	<u>2,601</u>	<u>111,124</u>
Total comprehensive expense for the period	<u>–</u>	<u>(407)</u>	<u>–</u>	<u>(407)</u>
Balance at				
31 October 2015	<u>108,739</u>	<u>(623)</u>	<u>2,601</u>	<u>110,717</u>
Balance at				
1 May 2016 (Audited)				
<i>(Note C)</i>	108,739	(1,418)	2,601	109,922
Placing of shares <i>(Note D)</i>	6,151	–	–	6,151
Total comprehensive expense for the period	<u>–</u>	<u>(642)</u>	<u>–</u>	<u>(642)</u>
Balance at				
31 October 2016	<u>114,890</u>	<u>(2,060)</u>	<u>2,601</u>	<u>115,431</u>

Note D:

Please refer to Paragraph 1(d)(ii) of this announcement for details of placing of shares during the period.

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1. (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, 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

	Number of shares	Amount US\$
Authorised, issued and fully paid share capital		
At 1 May 2014, 30 April 2015, 1 May 2015 and 30 April 2016 (Audited)	170,804,269	32,238,531
Issue of shares by way of placing*	<u>20,680,000</u>	<u>6,151,208</u>
At 31 October 2016 (Unaudited)	<u>191,484,269</u>	<u>38,389,739</u>

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 declare by the Company. All ordinary shares carry one vote per share without restriction.

* On 1 August 2016, the Company issued, by way of placing, 20,680,000 ordinary shares at the issue price of HK\$2.32 per share and the net proceeds (after deduction of legal and professional costs) from such issues amounted to US\$6,059,414.

There were no outstanding convertibles, treasury shares or share option as at 31 October 2016 and 31 October 2015.

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

	The Company	
	As at 31 October 2016	As at 30 April 2016
Total number of issued shares, excluding treasury shares	<u>191,484,269</u>	<u>170,804,269</u>

There were no treasury shares as at 31 October 2016 and 30 April 2016.

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. **Whether the figures has been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the Company's auditor.

3. **Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter)**

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the most recently audited financial statements for the year ended 30 April 2016, 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 2016.

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.

Restatement of the financial statement as at 30 April 2016

The Company has restated its previously reported consolidated financial statements as at 30 April 2016. The restatement of the Company's consolidated financial statement as at 30 April 2016 followed an adoption of an audit opinion of the Company's consolidated financial statement for the year ended 30 April 2016. The auditor identified an overstatement of the consolidated net assets of a subsidiary of the Company due to the failure to translate its property, plant and equipment as at 30 April 2016 into Group's presentation currency using the closing rate at the end of the reporting period as required by FRS21 The Effect of Changes in Foreign Exchanges Rates. Had the aforementioned property, plant and equipment been translated in accordance with FRS21, the Group's property, plant and equipment, currency translation reserve, net assets as at 30 April 2016 would decrease by US\$4,207,500 respectively. The currency translation differences arising from consolidation and the total comprehensive expenses for the financial year ended 30 April 2016 will also decrease by US\$4,207,500 and increase by US\$4,207,500 respectively. The Board is in the process of discussion with the auditors of the Company on the basis for other qualified opinions as stated in the auditor's report in the annual report of the Company for the financial year ended 30 April 2016. Further restatements may be adopted when the Board has gathered further information for the adoption in financial statement.

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 Paragraph 4 above.

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6. Earnings/(loss) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	The Group			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2016	2015	2016	2015
	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i>
		(Restated)		(Restated)
		<i>(Note A)</i>		<i>(Note A)</i>
From continuing and discontinued operations				
(Loss)/earning per ordinary shares:				
(a) Based on weighted average number of ordinary shares on issued; and	(1.12)	(2.69)	0.27	(4.54)
(b) On a fully diluted basis	(1.12)	(2.69)	0.27	(4.54)
 Details:				
(Loss)/profit attributable to shareholders (stated in US\$'000)	(2,026)	(4,588)	488	(7,754)
	Number of shares (stated in '000)			
	3 months period ended		6 months period ended	
	31 October	31 October	31 October	31 October
	2016	2015	2016	2015
Weight average number of ordinary shares	181,144	170,804	181,144	170,804

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The Group

	3 months period ended		6 months period ended	
	31 October 2016	31 October 2015	31 October 2016	31 October 2015
	<i>(in US Cents)</i>	<i>(in US Cents)</i> (Restated) <i>(Note A)</i>	<i>(in US Cents)</i>	<i>(in US Cents)</i> (Restated) <i>(Note A)</i>
From continuing operations				
(Loss)/earning per ordinary shares:				
(c) Based on weighted average number of ordinary shares on issued; and	(1.12)	(2.55)	0.22	(4.31)
(d) On a fully diluted basis	(1.12)	(2.55)	0.22	(4.31)
Details:				
(Loss)/profit attributable to shareholders (stated in US\$'000)	(2,027)	(4,353)	399	(7,355)

From discontinued operations

Basic and diluted earning per share for the discontinued operations is based on the profit for the six months ended 31 October 2016 from the discontinued operations of US\$89,000 (loss for six months ended 31 October 2015: US\$399,000) and the denominators detailed above for both basic and diluted loss per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of 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 October 2016	As at 30 April 2016	As at 31 October 2016	As at 30 April 2016
	<i>(in US cents)</i>	<i>(in US cents)</i> (Restated) <i>(Note B)</i>	<i>(in US cents)</i>	<i>(in US cents)</i>
Net assets/(liabilities) value per ordinary share based on issued share capital of the issuer	2.0	(1.2)	60.3	64.4
Number of shares in issue as at end of period ('000)	191,484	170,804	191,484	170,804

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

- (a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of Performance

During the three months period ended 31 October 2016 ("2QFY2017"). The Group is principally engaged in:–

- a) trading of iron ore, coal and steel products across the globes ("Trading Segment");
- b) tinplate manufacturing ("Manufacturing Segment");
- c) tinplate processing ("Discontinued operations")

Revenue

Continuing operations

The Group's revenue from continuing operations was approximately US\$26.32 million for 2QFY2017, representing a decrease of approximately 33% as compared with approximately US\$39.53 million for the period ended 31 October 2015 ("2QFY2016").

Manufacturing segment has been suspended its operation since early 2016 for the purpose of obtaining additional funding and to eliminate any additional costs. As a result, the only revenue for 2QFY21017 was derived only from the Trading Segment.

Discontinued tinplate processing operations

On 28 April 2016, the Group has discontinued its tinplate processing business by disposing all its 50% equity interest for value of RMB9 million (approximates to US\$1.38 million) in Tianjin Shifa Novo Technology Development Limited ("**Tianjin Shifa**"). As a consequence, the Group has re-presented the financial performance of Tianjin Shifa as "Discontinued Operations" for the 3 months and 6 months period ended 31 October 2015 and the comparative figures have been restated accordingly.

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Gross profit

The gross profits for the three and six months ended 31 October 2016 was arrived at US\$159,000 and US\$656,000 respectively. The gross profit margin was arrived at 0.6% and 1.35% respectively for the three and six months ended 31 October 2016. The change in the gross profit margin was mainly due to market fluctuation and keen competition during these two reporting periods.

Other income

Other income has decreased from US\$0.22 million to US\$0.10 million, an decrease of 53%. The main reason was due to the decrease of interest income.

Distribution and selling expenses

During the 2QFY2017, the distribution and selling expenses have decreased from US\$581,000 to US\$131,000, a decrease of approximately 77.5%. The main reason for the decrease was due to the fact that the management has taken a more stringent cost control on the trading segment and have made a big drop in freight charge and distribution agency fee.

Administrative expenses

The administrative expense have decreased from US\$2.8 million to US\$2.1 million, a decrease of approximately 26.5%. The main reason for the decrease was due to the compound effect of decrease in depreciation charge, decrease in salaries and related cost (including a decrease in director remuneration due to his departure), and a decrease in administrative expenses due to the disposal of an office property. However, due to the nature of the cost, most of the expenses could not be decreased in proportion to the decrease of turnover.

Finance costs

The finance cost for the 2QFY2017 was decrease from US\$0.8 million to US\$0.08 million, a decrease of 90.0%, mainly due to repayment of certain bank loans during the period.

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Review of financial position and cash flow

By facing the cash flow shortage, the Group has adopted a conservative and prudent approach to manage its business, during the 2QFY2017, the Group has repaid most of its bank loans to reduce borrowing interest burden while going on running the core business efficiently.

Trade and other receivables

Trade and other receivables increased to US\$25.4 million as at 31 October 2016 from approximately US\$23.4 million as at 30 April 2016, an increase of approximately 8.5%. The balance on the advance payment to suppliers and trade and bills receivables are in line with the trading pattern as at 31 October 2016 and 30 April 2016. Balance included in the other receivables as at 31 October 2016 was US\$1.7 million receivable from TPCGP for subscription of 45% shares in TPCGL a former wholly-owned subsidiary of the Company.

Trade and other payables

Trade and other payables increased to US\$16.6 million as at 31 October 2016 from approximately US\$14.6 million as at 30 April 2016, an increase of approximately 13.7%. Balance for trade and bills payable are in line with the purchase pattern as at 31 October 2016 and 30 April 2016. There were also an increase in the amounts payable to immediate and ultimate holding company and director, the balance of which are unsecured, interest free and repayable on demand.

During the year, the Group has repaid the interest bearing working capital loans and leaving a great portion of non-interest bearing borrowings.

Liquidity and financial resources

The Group's total borrowing decreased by approximately US\$17.6 million from approximately US\$89.0 million as at 30 April 2016 to approximately US\$71.4 million at 31 October 2016. This was mainly due to repayment of bank loans approximately US\$20.9 million.

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

Trading Business

The Group anticipates an improving operating environment for the year ending 30 April 2017. To maintain the competitiveness of the Group, the Group has focused on rigorous cost control and additional policies to retain dedicated management team and staff for operation.

Joint venture into the business of payment gateway services

As announced on 19 September 2016, the Company's wholly-owned subsidiary, Sunshine Star Group Limited ("SSGL") has entered into a subscription agreement (the "Subscription Agreement") with The Payment Cards Group Limited 交易寶有限公司 (the "JV Partner") and The Payment Cards Global Limited 交易寶環球支付結算有限公司 (formerly known as Sunshine Star (HK) Limited 耀星香港有限公司) ("TPCGL" or the "JV Company") as part of a joint venture to carry on the business of the provision of payment gateway services and investment holding. Pursuant to the Subscription Agreement, the JV Partner and SSGL shall subscribe for 13,500,000 and 16,490,000 new shares in the JV Company respectively at the subscription price of HK\$1.00 per share. Since SSGL currently holds 10,000 shares (100% of the issued share capital) in TPCGL, upon completion of the transaction, SSGL shall hold an aggregate of 16,500,000 shares (representing 55% of the total enlarged share capital of the JV Company) and the JV Partner shall own 45% of the total enlarged share capital of the JV Company.

The directors are optimistic about the outlook of the payment gateway services business and believe that there are positive opportunities for new investments, particularly in the market of the Maritime Silk Road. Therefore, the directors believe that by leveraging on the experience and expertise of the JV Partner in the payment gateway services business, the collaboration in the development of the payment gateway services business will be beneficial to the Group and will help the Group work toward achieving positive operating cash flow, leading to long term sustainable benefits.

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

None.

(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

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

The Directors do not declare or recommend any dividend for the second quarter ended 31 October 2016.

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

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

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

On behalf of the Board, Mr. Zhu Jun and Mr. Chow Kin Wa, the Executive Directors of the Company, confirm to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements of the Group for the second quarter ended 31 October 2016 to be false or misleading in any material aspect.

- 15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

Yes.

By order of the Board

Zhu Jun

Executive Director and Executive Chairman

Chow Kin Wa

Executive Director and CEO

15 December 2016