



For immediate release

Novo Group Ltd. Announces Listing by Introduction on Main Board of SEHK

Investment Highlights

- Experienced management team
- Enjoys continual banking facilities
- Economies of scale from bulk purchases allow it to enjoy a lower per unit purchase cost
- Trades in a diversity of steel products to meet different customer needs and reduce the adverse impact of price and/or demand changes
- Extensive sales and marketing networks with branch offices and representatives in the PRC, Dubai and Indonesia, as well as 12 agents in 11 countries/regions
- Prudent customer credit control procedures, with most transactions conducted via banking facilities
- Plans to expand to steel and scrap steel processing in the PRC

Hong Kong, 3 December 2010 – Steel and coal trading and distribution company Novo Group Ltd. (“Novo” or the “Company”; Stock code: 1048) has announced plans in respect of its proposed dual primary listing on the Main Board of the Stock Exchange of Hong Kong (“SEHK”). The Company currently has a primary listing on the SGX-ST, which it intends to maintain alongside its proposed listing in Hong Kong.

CIMB Securities (HK) Limited is the sponsor of the proposed listing, with BOCI Securities Limited being appointed as the bridging dealer. Dealings in the shares of the Company are expected to commence on Monday 6 December 2010.

Novo is principally engaged in the trading and distribution of steel products and their raw materials. Since November 2009, the Group has expanded its product range to include coal. The trading and distribution operation of the Group is separated into and operated under two business segments: (i) international trading; and (ii) domestic trading and distribution.

The steel trading and distribution segment sources steel products and related raw materials for customers, including steel mills, construction companies and trading companies. The Group has the capability of directly sourcing in bulk quantities from steel mills and at the same time, assisting such steel mills to source related raw materials.

The products traded by the Group range from raw materials such as iron ores, pellets, scrap and pig iron; semi-finished products such as billets and slabs; finished products comprising long and flat products; to special and coated products. The Group’s trading activities play an important role in the steel industry by sourcing from countries with overall cost competitiveness while supplying to customers in key markets who are in need of such resources.

In November 2009, the Group started to engage in the trading of coal. The Group has sourced coal from two mining companies in Indonesia.

The Group’s gross profit margin dropped to approximately 8.8% in the year ended 30 April 2009 mainly owing to the sharp plunge in prices of steel products following the global financial crisis. The margin

subsequently bounced back to 13.8% during the year ended 30 April 2010.

The Group has extensive sales and marketing networks with branch offices and representatives in the cities of the PRC such as Tianjin, Shanghai and Guangzhou, as well as in Dubai and Indonesia. The Group's trading team mainly comprises steel and trading professionals with substantial experience in the steel trading industry. The Group has also appointed 12 agents in 11 countries/regions to serve customers in different parts of the world.

At the same time, the Group places great emphasis on evaluating and selecting suppliers. The Group's suppliers of steel products are iron ore mines, steel mills and other steel producing companies, and its suppliers of coal are coal mines. The Group sourced from 39, 61 and 71 suppliers respectively for each of the three years ended 30 April 2010, and 82 suppliers for the three months ended 31 July 2010.

The Group sold to 117, 100 and 201 customers respectively for each of the three years ended 30 April 2010, and 101 customers for the three months ended 31 July 2010. The Group maintains prudent credit control procedures and reviews the need for making allowance for doubtful receivables on a quarterly basis. Most transactions with customers and suppliers are conducted via banking facilities. There was no allowance for doubtful receivables and bad debts written off during the track record period.

The principal market of the Group is the PRC. Sales to the PRC accounted for approximately 19%, 30% and 64% of the Group's total revenue respectively for each of the three years ended 30 April 2010, and for approximately 63% during the three months ended 31 July 2010.

For international trading, the Group does not keep inventories as its buying orders are generally matched against selling orders on a back-to-back basis. For domestic trading and distribution in the PRC, the Group keeps inventories to suit customers' needs in relation to short delivery time. For domestic trading and distribution in Hong Kong, the Group keeps inventories based on confirmed orders from customers.

When entering into contracts with suppliers and customers for the same subject goods, the Group always has purchase orders confirmed by customers before entering into purchase contracts with suppliers except in special and rare circumstances. The normal practice is for the Group to purchase on a free-on-board (FOB) basis and sell on a cost-and-freight (CFR) basis. Suppliers are thereby responsible for loading the products on board the vessel which is arranged by the Group. Therefore, in normal circumstances, the products are directly shipped to customers and no warehousing is involved.

Mr. Yu Wing Keung, Dicky, Chairman and Executive Director of Novo, said: "Our experienced and committed management team is pivotal to our success. The continual support from our bankers also gives us an advantage as the steel trading business requires vast amounts of financing to fund the purchases. This serves as a barrier to entry for new market entrants."

The Group is also able to achieve economies of scale by grouping the purchase orders from different customers and making bulk purchases. Generally, the Group's bulk purchases allow it to enjoy a lower per unit purchase cost. Furthermore, suppliers such as steel mills normally require minimum purchases which the Group is able to meet, but customers may not have orders of sufficient size to purchase directly from the suppliers.

The Group trades in a diversity of steel products which include slabs, billets, hot rolled coils, hot rolled plates, I-Beams, deformed bars, wire rods, cold rolled coils and sheets. This enables the Group to meet the different needs of customers while reducing the adverse impact of price and/or demand changes with regard to any particular type of steel products.

Going forward, the Group plans to expand business to steel processing in the PRC. To this goal, the Group acquired a piece of land of 25,000 square meters in Tianjin for the planned development of a steel processing centre which is expected to handle 100,000 tonnes of hot-rolled coil and 100,000 tonnes of cold-rolled coil for the local market. Construction commenced in July 2010 with facilities completion expected to be within the first half of 2011.

Leveraging on its capability and experience in sourcing scrap steel, the Group further plans to expand to scrap steel processing business in the PRC. In May 2010, the Group entered into a memorandum of understanding for the acquisition of up to 60% of a scrap steel processing project in the PRC. The planned project will include a scrap steel processing plant and distribution centre, two ports/public piers (each with handling capacity of 50,000 metric tonnes deadweight vessel) and other steel processing facilities. The scrap steel processing plant is expected to commence production in 2012. As a start, the project will recycle scrap steel generated by electric furnace manufacturers, ship-destruction business and scrap processing logistics operators in Jiangsu Province, the PRC.

The Group also plans to participate in minerals logistics and warehousing business in the PRC. A feasibility study in this respect is under way.

Track Record

(In US\$)

	Year ended 30 April			3 months ended 31 July	
	2008	2009	2010	2009 (Unaudited)	2010
Revenue	479,969,874	523,692,353	403,023,420	103,734,371	117,192,112
Gross profit	64,873,420	45,989,960	55,691,219	8,777,471	6,703,663
Gross profit margin	13.5%	8.8%	13.8%	8.5%	5.7%
Profit for the year/ period	11,610,194	1,566,788	12,016,331	3,934,984	1,574,539
Earnings per share (US cents)	2.49	0.25	1.90	0.64	0.22

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