

**NOVO GROUP LTD.**

Registration No. 198902648H

Incorporated in the Republic of Singapore

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**REPLY TO SGX QUERIES**

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In response to query raised by The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in its email dated 29 March 2016, the Board of Directors (the “**Board**”) of Novo Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) would like to provide the following disclosures:–

**SGX’s Query:–**

- (a) We note that the Group is in a negative working capital position as at 31 January 2016 and has net cash used in operating activities of approximately US\$(3,094,000) for 9 months period ended 31 January 2016. In this regard, please explain whether the Group is able to meet its short-term obligations as and when they fall due, and to provide reasons for your views.

**The Company’s responses are as follows:–**

The directors of the Company (the “**Directors**”) believe that the Group is able to monitor and meet its short term obligations as and when they fall due because the Directors are satisfied that:

- (i) the continuing financial support from New Page Investments Limited (“**New Page**”) to procure the necessary finance and support for a period from 1 May 2015 to 30 April 2016;
- (ii) pursuant to the Escrow Agreement dated 24 September 2015 (the “**Escrow Agreement**”), the escrow money of HK\$230,000,000 and any additional sum (where applicable) was for the purpose of releasing corporate guarantee of the Company from its banks on or before 5 April 2016, therefore short-term obligation of the Group is expected to be reduced in the near future;
- (iii) the Company may, subject to market conditions, consider to conduct fund raising activities by way of equity and/or debt financing within the next few months; and
- (iv) the overall finance cost has been reduced as the Group had paid approximately HK\$9,900,000, HK\$76,200,000 and RMB28,106,282 to Shanghai Pudong Development Bank Co. Ltd., Taizhou Branch, China CITIC Bank International Limited and Bank of China, Taizhou Branch respectively and hence the Group’s negative working capital and negative cash flow from operating activities will be improved.

**SGX’s Query:–**

- (b) Please advise as to the relationship between Novowell ETP Limited, its shareholders and/or directors with the Company, its controlling shareholders and directors.

### The Company's responses are as follows:-

Novowell ETP Limited (“**Novowell ETP Limited (PRC)**”), a PRC company, is 95% held by Novo ETP Limited, a Hong Kong company and 5% held by 上海同場實業有限公司, an independent third party. Novo ETP Limited, a Hong Kong company is wholly-owned by Novo ETP Limited, a BVI company which in turn is wholly-owned by Novo Overseas Holdings Pte. Ltd., a Singapore company. Novo Overseas Holdings Pte. Ltd. is a wholly-owned subsidiary of the Company.

The directors of Novowell ETP Limited (PRC) are Mr. Ma Yiu Ming, Mr. Chow Kin Wa and Mr. 丁峯.

The controlling shareholder of the Company is Golden Star Group Limited, which is wholly-owned by Mr. Zhu Jun.

The Directors of the Company are Mr. Zhu Jun, Mr. Chow Kin Wa, Ms. Wang Jianqiao, Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. William Robert Majcher.

Save for Mr. Chow Kin Wa, who is a director of both Novowell ETP Limited (PRC) and the Company, the other directors of Novowell ETP Limited (PRC) are third parties independent of the Company, its controlling shareholder and directors.

### SGX's Query:-

- (c) It is stated on page 7 of the announcement, “Due to breaches of certain covenants, the outstanding loan to the Lender is reflected as a current liability as at 31 January 2016. During the current period, the Group obtained a waiver letter dated 25 November 2015 (the “**Waiver Letter**”) from the Lender. The Borrower has fulfilled all the conditions as required by the Lender on 8 December 2015, including payment of HK\$76,200,000 to the Lender. On 8 December 2015, by virtue of the provisions contained in the Waiver Letter, the Lender waived certain breaches of the covenantal clauses under the loan agreement and the Lender has executed a deed of release of the guarantee dated 8 December 2015 in favour of the Company which was received by the Company on 16 December 2015. The Group is in the process of negotiating a release of the corporate guarantee and procuring a similar letter of waiver in respect of certain breaches under the loan arrangement with Bank of China Ltd., Xinghua Sub-Branch.”
- (i) Please clarify if the loan arrangement with Bank of China., Xinghua Sub-Branch is for the loan to Novowell ETP Limited (PRC);
  - (ii) Please confirm if the Company has complied with Listing Rule 704(22). Listing Rule 704(22) provides that an issuer must immediately announce any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand repayment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer's directors, would result in the issuer facing a cash flow problem;
  - (iii) Please disclose the relevant loan amounts under the loan arrangement for which there were breaches; and
  - (iv) The Board's assessment and the bases of such assessment of whether the Company is able to continue as a going concern if the waiver in respect of the breaches under the loan arrangement was not obtained.

**The Company's responses are as follows:-**

Novowell ETP Limited (PRC) is the borrower under the loan agreement with Bank of China, Xinhua Sub-branch dated 3 April 2015.

The Company has complied with Listing Rule 704(22), as the Directors believe that the Company does not face a cash flow problem for the reasons stated in response to query (a) above. The Directors have also taken active steps to negotiate with the banks to release the outstanding corporate guarantees as stipulated in the Escrow Agreement.

As at the date of this announcement, the relevant loan amount under the loan arrangement with China CITIC Bank International Limited for which there were breaches, is approximately USD23,243,000, and as disclosed in the 2016 interim report of the Company, a waiver letter in respect of the said breaches was obtained on 16 December 2015. As at the date of this announcement, the relevant loan and bills amount under the loan and bills arrangement with Bank of China, Xinghua sub-branch, for which there were breaches, is approximately USD3,227,321, after deducting the repayment of RMB106,282, RMB20,000,000, and RMB8,000,000 to Bank of China, Taizhou Branch on 29 March 2016, 30 March 2016 and 31 March 2016 respectively.

The Board believes that the Company is able to continue its operations even if the waiver in respect of the breaches under the loan arrangement cannot be obtained for the reasons stated in response to query (a) above.

**BY ORDER OF THE BOARD**

**Zhu Jun**

*Executive Chairman*

31 March 2016