

NOVO GROUP LTD.

Registration No. 198902648H

Incorporated in the Republic of Singapore

PROPOSED DISPOSAL OF PROPERTY – GRANT OF WAIVER FROM RULE 1014 OF THE LISTING MANUAL

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Novo Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the announcements dated 28 April 2016 and 10 May 2016 (the “**Announcements**”) on the proposed disposal of the property located at Units 9, 10 and 11 on the 11th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road Central, Hong Kong (the “**Property**”) by the Company’s wholly-owned subsidiary, Novo Commodities Limited (the “**Vendor**”) to Loong Full Limited (the “**Purchaser**”) pursuant to the Preliminary SPA and Formal SPA entered into between the Vendor and the Purchaser, dated 28 April 2016 and 10 May 2016 respectively (the “**Proposed Disposal**”).
- 1.2 Unless otherwise defined herein, all capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

2. CONDITIONAL APPROVAL OF THE WAIVER APPLICATION

- 2.1 As mentioned in the Announcements, the Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual and is conditional upon approval by the Shareholders of the Company pursuant to Rule 1014(2) of the Listing Manual. The Company applied to SGX-ST for a waiver of the requirement to seek Shareholders’ approval for the Proposed Disposal with regard to Rule 1014(2) of the Listing Manual (“**Waiver**”).
- 2.2 The Board wishes to announce that the Company has received a letter from SGX-ST dated 6 June 2016 informing the Company that the SGX-ST has no objection to granting the Waiver, subject to the following conditions:
- (a) An announcement via SGXNET of the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and
 - (b) Submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the constitution of the Company.

3. REASONS FOR SEEKING THE WAIVER

The Company applied for the Waiver on the following grounds:

- (a) The Company believes that the Proposed Disposal would be in the best interest of the Group and Shareholders for the following reasons:
 - (i) The Property was completed acquired by the Group in 2010 at the cost of approximately US\$5,807,560. With the uncertainty in the global economic outlook and current slump in the property market in Hong Kong, the Company believes that it is a good opportunity to dispose of the Property taking into account the unaudited gain of approximately US\$4,088,851. As the proceeds of the disposal of the Property are substantial, the Proposed Disposal will also put the Group in a better position to strengthen its financial position;
 - (ii) Based on the latest unaudited financial statements of the Group for the nine months ended 31 January 2016, the Group recorded a negative working capital of approximately US\$41,489,576. The Group recognises the urgent need to address the issues associated with negative working capital. The net proceeds of the Proposed Disposal will be used to

repay existing bank borrowings of the Group due to the Bank, and this in turn will have a positive impact on the earnings and working capital of the Group and improve the liquidity of the Group;

- (iii) The Group is able to relocate the staff currently located at the Property without any material relocation cost or adverse effect on the operations of the Group; and
 - (iv) The Group has been placed on the Watch-List since 3 September 2014 and the Proposed Disposal is one of the active steps the Group is taking for its removal from Watch-List before 3 September 2016.
- (b) The Property is currently used as office premises and the Proposed Disposal will not result in a change to the nature of the Group's business nor the risk profile of the Group. The Board is of the opinion that there has been no material change in the risk profile of the Company arising from the Proposed Disposal, as the Property which is currently used as office premises, is a non-core asset of the Group and does not affect the nature of the main business of the Company;
 - (c) The Proposed Disposal is expected to have a positive impact on the Group's earnings, working capital and liquidity, which will be beneficial to the Company and Shareholders; and
 - (d) The majority shareholder of the Company, namely, Golden Star Group Limited, which holds an aggregate of 74.24% of the issued share capital of the Company, is represented on the Board by Mr Zhu Jun who is also part of the executive management of the Company. Golden Star Group Limited is in favour of the Proposed Disposal if Shareholders' approval were required.

4. NO CONVENING OF EXTRAORDINARY GENERAL MEETING

As the SGX-ST has granted the Waiver to the Company, the Company will not be convening an extraordinary general meeting to seek Shareholders' approval for the Proposed Disposal and accordingly, will not be dispatching a circular to Shareholders in relation thereto.

BY ORDER OF THE BOARD

Zhu Jun
Executive Chairman
6 June 2016