

**NOVO GROUP LTD.**

Registration No. 198902648H

Incorporated in the Republic of Singapore

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**REPLY TO SGX QUERY**

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The Board of Directors (“**Board**”) of Novo Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement dated 4 September 2016 on the Company’s responses to queries raised by the Singapore Exchange Securities Trading Limited in connection with the auditor’s comments on the Company’s financial statements for the financial year ended 30 April 2016 (“**FY2016**”) (the “**Clarification Announcement**”).

Unless otherwise specified, all capitalised terms used and not defined herein shall have the same meanings ascribed to them in the Clarification Announcement.

In response to further queries on the Clarification Announcement raised by the (“**SGX-ST**”) in its email dated 5 September 2016, the Company would like to provide the following disclosures in connection with the announcement on 30 August 2016 regarding auditor’s comments on the Company’s financial statements for FY2016:-

**SGX’s Queries:-**

**Query 1:** It was disclosed in the Company’s response to Query 2(a) in the Clarification Announcement that “the Company has entered into an equity transfer agreement to sell and transfer all its equity interest in Tianjin Shifa Novo to 天津市寶奕金屬製品有限公司 (the “**Acquirer**”). In this regard, please disclose details of the Acquirer, including the directors and shareholders of the Acquirer.

**The Company’s responses to Query 1 are as follows:**

The Acquirer is owned as to 97.33% by 宋凱 (who is also a director of Tianjin Shifa Novo and a director of the Acquirer) and 2.67% by 宋治武.

**Query 2:** With reference to the Company’s response to Query 2(b) in the Clarification Announcement, please disclose whether there is any connection (including any business relationship) between the related party, its directors and substantial shareholders (if applicable) with the Company, its directors and substantial shareholders (if any).

**The Company’s responses to Query 2 are as follows:**

As at the date hereof, the related party is directly owned (a) as to 60% by 天津渤海輕工投資集團有限公司 (“**Tianjin Bohai**”), a state-owned company, and (b) as to 40% by the Acquirer. Tianjin Bohai is a 50% owner of Tianjin Shifa Novo. The remaining 50% interests in Tianjin Shifa Novo is owned by the Group.

As announced by the Company on 28 April 2016, an equity transfer agreement was entered into pursuant to which the Group agreed to dispose of the 50% interests in Tianjin Shifa Novo to the Acquirer (the “**Disposal**”). As at the date hereof, the procedures for registering and effecting the Disposal with the relevant PRC government authorities are still on-going. To the best of the Directors’ knowledge after having made reasonable and due enquiries, it is expected that completion of the Disposal will take place by November 2016.

Save for the Group owning 50% of the equity interest in Tianjin Shifa Novo during FY2016 pending completion of the Disposal save as disclosed above, there is no connection or relationship between any of the JV Partner, 天津万事达印铁包装容器有限公司, its directors and shareholders, with the Company, its directors and substantial shareholders.

**Query 3:** With reference to the Company's response to Query 2(b) in the Clarification Announcement regarding the nature of advance of US\$5.6 million made to the related party, it was disclosed that "the JV Partner has taken over the operations and control of Tianjin Shifa Novo and no longer furnishes the financial information of Tianjin Shifa Novo to the Group". In this regard, please explain:

- (a) the connection between the financial information of Tianjin Shifa Novo not being available and the advance of US\$5.6million;

**The Company's responses to Query 3(a) are as follows:**

Subsequent to the signing of the equity transfer agreement on 28 April 2016 for the Disposal (the "**Agreement**"), the financial information of Tianjin Shifa Novo was not furnished to the Group. The Company was not aware of the advance of US\$5.6 million made to the related party until May 2016 when the Group was carrying out its annual audit for FY2016.

The Acquirer and the Group had, pursuant to the Agreement, agreed on a consideration of RMB9 million for the sale and purchase of the Group's 50% equity interest in Tianjin Shifa Novo. As disclosed in the Company's announcement on 28 April 2016 on the Disposal, the consideration of RMB9 million was determined after taking into consideration the shareholder's equity of Tianjin Shifa Novo stated in the audited financial statements of Tianjin Shifa Novo as of 31 December 2014. As such, any operational or other losses suffered by Tianjin Shifa Novo thereafter will not be borne by the Group.

- (b) the nature of and the circumstances leading to the advance of US\$5.6 million being made to the related party; and

**The Company's responses to Query 3(b) are as follows:**

To the best knowledge of the Company, the advance of US\$5.6 million was used by the related party for its operations, and the amount balance was around RMB720,000 as at 23 August 2016.

- (c) when the advance of US\$5.6 million was made to the related party;

**The Company's responses to Query 3(c) are as follows:**

The US\$5.6 million is recorded as "Other Receivables" in Tianjin Shifa's account and made by Tianjin Shifa to the related party on multiple occasions from 22 February 2016 and booked net receivables of US\$5.6 million as at 30 April 2016. Up to 23 August 2016, the balance of receivables was reduced to RMB721,830.

The responses of the Company in relation to Queries 1, 2 and 3 have been provided on the basis of information furnished to the Board by Mr Chow Kin Wa, the Chief Executive Officer and Director of the Company who has been the main contact point between the Company, Tianjin Shifa Novo and the JV Partner.

**Query 4:** With reference to the Company's response to Query 3 in the Clarification Announcement regarding the determination of recoverable amounts in relation to the impairment test of US\$63 million of property, plant and equipment, US\$79 million of investment in subsidiaries and US\$31 million due from subsidiaries as at 30 April 2016 (collectively referred to as "**Assets**"), please:

- (a) provide breakdown of the investment in subsidiaries of US\$79 million and amounts due from the subsidiaries of US\$31 million;

**The Company's responses to Query 4(a) are as follows:**

	Cost of investment (in US\$ '000)	Amount due from subsidiaries (in US\$ '000)
Novo Commodities Limited (Hong Kong) ("NCL")	74,863	
Novo Commodities Pte. Ltd. (Singapore) ("NCPL")	984	
Global Wealth Trading Limited (BVI) ("GWT")	2,573	
Novo Overseas Holdings Pte. Ltd. (Singapore) ("NOHL")	1,039	31,497
Total	79,459	31,497

- (b) provide the recoverable amount of each category of Assets; and

**The Company's responses to Query 4(b) are as follows:**

The recoverable amounts of property, plant and equipment, the cost of investment and the amount due from subsidiaries will be higher than the net carrying amount respectively because the Group will continue to improve its trading businesses and expected to generate profit in the foreseeable future, The Group will resume its tinsplate manufacturing businesses and expected to generate profit in the foreseeable future. After reviewing the business environment as well as the Group's strategies and future plan of its business units, in particular, the resumption of the tinsplate manufacturing plant in Taizhou, management concluded that there were no impairment for the property, plant and equipment, the investments in subsidiaries and the amount due from subsidiaries.

- (c) provide explanation on the suspension of the tinsplate manufacturing segment;

**The Company's responses to Query 4(c) are as follows:**

The operations at the tinsplate manufacturing plant in Jiangsu, PRC had been suspended for the purpose of obtaining additional funding as well as to consolidate the products mix for the metal packaging assembly line.

- (d) disclose the key factors and key risks that affect the Company's ability to resume the tinsplate manufacturing segment which has been suspended since early 2015;

**The Company's responses to Query 4(d) are as follows:**

The key factors and key risks that affect the Company's ability to resume the tinsplate manufacturing segments are:

1. The price for the raw materials in relation to the manufacturing of tinsplate;
2. The overall tinsplate end market conditions;
3. The result/timing of the restructuring of existing credit facilities; and
4. The timing for rearranging the human resource for the operations.

- (e) provide the Board's assessment and opinion about the reasonableness of the key assumptions and input used in determination of the recoverable amount of the Assets; and

**The Company's responses to Query 4(e) are as follows:**

The board of directors has discussed and reviewed the key assumptions and input used and satisfy that they are reasonable and achievable.

- (f) clarify whether the audited financial statements were presented using the foreign exchange rate in accordance with FRS 21;

**The Company's responses to Query 4(f) are as follows:**

The audited financial statements were presented using the foreign exchange rate in accordance with FRS 21 except property, plant and equipment of a subsidiary in PRC.

**BY ORDER OF THE BOARD**

Zhu Jun  
Executive Chairman and Executive Director  
13 September 2016