

NOVO GROUP LTD.

Registration No. 198902648H

Incorporated in the Republic of Singapore

REPLY TO SGX QUERY

In response to the query raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") in its email dated 22 December 2015, the Board of Directors of Novo Group Ltd. (the "Company" or "Novo" and together with its subsidiaries, the "Group") would like to provide the following disclosures:-

SGX's Queries:-

We note that the Group is in a negative working capital position as at 31 October 2015 and has net cash used in operating activities of approximately US\$(17,686,000) for 6 months period ended 31 October 2015. 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 response as follow:-

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, New Page, Mr. Yu Wing Keung, Dicky and Mr. Chow Kin Wa (collectively referred to as the "Vendors"), acknowledges to provide loan amount up to HK\$230,000,000 to the Company for the purpose of releasing corporate guarantee of the Company from its banks on or before 5 April 2016, as unsecured, interest free and the Vendors unconditionally and irrevocably undertake that none of them will demand for repayment for a period of 2 years after 5 October 2015, therefore short-term obligation of the Group is expected to be reduced in the near future;
- (iii) the banking facilities for its working capital requirements for the next twelve months will be available as and when required;
- (iv) the overall finance cost will be reduced as the Group had paid approximately HK\$9,900,000 and HK\$76,200,000 to Shanghai Pudong Development Bank Co. Ltd., Taizhou Branch and China CITIC Bank International Limited respectively as at the date of this announcement and hence the Group's negative working capital as at 31 October 2015 and negative cash flow from operating activities during the second quarter ended 31 October 2015 will be improved; and
- (v) the Group is able to generate sufficient cash flows from its operations to meet its current and future obligations.

BY ORDER OF THE BOARD

Chow Kin Wa
Executive Director and Chief Executive Officer
23 December 2015