

**NOVO GROUP LTD.**

Registration No. 198902648H

Incorporated in the Republic of Singapore

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**REPLY TO SGX QUERY**

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In response to query raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) in its email dated 24 August 2015, the Board of Directors of Novo Group Ltd. (the “Company” and together with its subsidiaries, the “Group”) would like to provide the following disclosures:-

**SGX’s Query:-**

1. We refer to the Company’s Annual Report 2015.
2.
  - a. Guideline 11.3 of the Code states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company’s Annual Report. The Board’s commentary should include information needed by stakeholders to make an informed assessment of the company’s internal control and risk management systems. The Board should also comment in the company’s Annual Report on whether it has received assurance from the CEO and the CFO:
    - (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances; and
    - (b) regarding the effectiveness of the company’s risk management and internal control systems.

As required under Listing Rule 710, please make disclosure as recommended in the Code; in particular, whether the Board has received assurance from the CFO (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances; and (b) regarding the effectiveness of the company’s risk management and internal control systems.

In this regard, should the Company have no CFO, please also disclose if it has received the aforesaid assurance from any other individual, regardless of title, who performs the function or responsibility equivalent to that of a CFO.

**The Company’s responses to Q2a are as follows:-**

As disclosed on page 28 and page 37 of the Company’s Annual Report, Mr. Chow Kin Wa (“Mr. Chow”), the chief executive officer (“CEO”) has assisted in overseeing the financial and compliance matters of the Group for the financial year ended 30 April 2015 (the “Year”). Therefore, Mr. Chow, being the CEO, has also performed the function or responsibility equivalent to that of a CFO during the Year.

As disclosed on page 37 of the Company’s Annual Report, the Company’s board has received assurance from the CEO who also performed the function or responsibility equivalent to that of a CFO during the Year, that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and (ii) regarding the effectiveness of the Group’s risk management and internal control systems.

- b. With reference to the audited statements of financial position on page 59 of the Annual Report 2015, please provide an explanation for the nature of the financial statement line item titled, "Derivative financial instruments" amounting to approximately US\$10,878.

**The Company's responses to Q2b are as follows:-**

The 'Derivative financial instruments' is a foreign currency forward contract signed between Novo Commodities Limited and BNP Paribas Hong Kong(Bank), which is used for hedging the currency fluctuation between EUR & USD on our normal transactions with European Allies on a future date. The amount of US\$10,878 represented unrealised gain as at 30/Apr/2015 by comparing the strike rate and spot rate.

- c. With reference to the audited consolidated statement of cash flows on pages 63 to 64 of the Annual Report 2015, please provide an explanation for the material differences for the following, as compared to the financial results announcement of the Company of 30 June 2015:-
- (i) the net cash used in operating activities of approximately US\$(6,653,336) as compared to the amount of US\$(12,166,000);

**The Company's responses to Q2c(i) are as follows:-**

The differences are because of the following reasons:

1. Net reclassification of advance payment for property, plant and equipment ("PPE") and payables for PPE amounted to US\$5.3 million from cash flows from operating activities to cash flows from investing activities as these relate to the Group's cash payment for purchase of PPE during the financial year; and
  2. Net movement of bills payable to banks of US\$0.7 million are reclassified from cash flows from operating activities to cash flows from financing activities as these are payable to banks and relate to the Group's financing activities.
- (ii) the net cash used in investing activities of approximately US\$(8,064,273) as compared to the amount of US\$(3,096,000); and

**The Company's responses to Q2c(ii) are as follows:-**

The main difference is because of reclassification from cash flows from operating activities to cash flows from investing activities of US\$5.3 million as explained in Q2c(i)(1) above.

- (iii) the net cash generated from financing activities of approximately US\$3,013,652 as compared to the amount of US\$3,558,000.

**The Company's responses to Q2c(iii) are as follows:-**

The main difference is because of reclassification from cash flows from operating activities to cash flows from financing activities of US\$0.7 million as explained in Q2(c)(i)(2) above. The net cash flows from financing activities include capital injection from a non-controlling interest of US\$0.15 million.

**BY ORDER OF THE BOARD**

Yu Wing Keung, Dicky  
Executive Chairman  
26 August 2015