

NOVO GROUP LTD.

Registration No. 198902648H

Incorporated in the Republic of Singapore

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Rule 704(5) Emphasis of matter by the auditor on the audited financial statements for the financial year ended 30 April 2014

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors (the "**Board**") of Novo Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Baker Tilly TFW LLP had without modifying their opinion, included in the Independent Auditor's Report an emphasis of matter in respect of the Group's ability to continue as a going concern on the audited financial statements of the Group for financial year ended 30 April 2014 (the "**Audited Financial Statements**").

A copy of the Independent Auditor's Report and an extract of Note 2(a) to the Audited Financial Statements are attached to this announcement for information.

Shareholders of the Company are advised to read the Audited Financial Statements in its annual report 2014, which will be despatched in due course.

BY ORDER OF THE BOARD

Yu Wing Keung, Dicky
Executive Chairman
24 July 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVO GROUP LTD.

(Incorporated in Singapore)

Report on the Financial Statements

We have audited the accompanying financial statements of NOVO GROUP LTD. (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 57 to 132, which comprise the statements of financial position of the Group and Company as at 30 April 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 30 April 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Emphasis of Matter

We draw attention to Note 2(a) to the financial statements with respect to the Group's ability to continue as a going concern. The Group incurred a net loss of US\$14,450,402 (2013: US\$6,357,528) during the financial year ended 30 April 2014 and as at that date, the Group's current liabilities exceeded its current assets by US\$37,178,442. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the Group's ability to operate as a going concern as set forth in Note 2(a) to the financial statements. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP

Public Accountants and

Chartered Accountants

Singapore

24 July 2014

Extracted from Note 2(a) to the Audited Financial Statements of Novo Group Ltd. for the financial year ended 30 April 2014 (audited)

(a) Going concern

The Group incurred a net loss of US\$14,450,402 (2013: US\$6,357,528) during the financial year ended 30 April 2014 and as at that date, the Group's current liabilities exceeded its current assets by US\$37,178,442. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At 30 April 2014, the Group has breached certain banks' financial covenants as disclosed in Note 23. However, the bank has granted waiver retrospective to its financial year ended 30 April 2014 in relation to the breach of financial covenants subsequent to the reporting period and has not requested for any immediate repayment up to the date of waiver letter, which is 18 July 2014. Due to these breaches of financial covenants, the outstanding non-current bank loan amounting to US\$22,750,000 is presented under current liabilities on the statement of financial position as at 30 April 2014.

The financial statements have been prepared on a going concern basis as the Directors are satisfied that:

- (i) the continuing financial support from the holding company to procure the necessary finance and support for a period of not less than twelve months from the end of the reporting period;
- (ii) the banking facilities from its bankers for its working capital requirements for the next twelve months will be available as and when required; and
- (iii) the Group is able to generate sufficient cash flows from its operations to meet its current and future obligations.

Management has taken the following measures to improve the Group's operational performance and financial position:

- (i) Source for new customers and held discussions with the Group's major customers to seek higher sales volume and negotiate for better prices. Management believes that the selling prices for the Group's products are gradually improving; and
- (ii) Continuously seeking improvements in the production efficiency of the Group's production facilities through technological enhancements and system re-engineering in order to further reduce the costs of production.

Subsequent to the end of the reporting period, the Group has also successfully obtained an import and export credit facility of up to US\$12 million from a strategic partner to facilitate the working capital requirement of the Group. The strategic partner has agreed for not demanding repayment of this amount within 12 months from the end of reporting period.

After considering the measures taken described above, the Group believes that it has adequate resources to continue its operations as a going concern. For these reasons, the Group continues to adopt the going concern assumption in the preparation of the financial statements.

The financial statements did not include any adjustments that may result in the event that the Group is unable to continue as a going concern. In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realized other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify noncurrent assets and liabilities as current assets and liabilities.