NOVO GROUP LTD.

(Incorporated in the Republic of Singapore)
(Registration No. 198902648H)

DISCLAIMER AUDIT OPINION BY AUDITORS IN RESPECT OF FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 APRIL 2015

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 issued their report on the financial statements of the Group for the financial year ended 30 April 2015 (the "**Audited Financial Statements**"), highlighting a disclaimer of opinion.

A copy of the Independent Auditor's Report and an extract of relevant part of Notes 2(a), 14, 18 and 23 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 2015, which will be despatched in due course.

BY ORDER OF THE BOARD

Yu Wing Keung, Dicky
Executive Chairman
31 July 2015

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of NOVO GROUP LTD. (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 57 to 138, which comprise the statements of financial position of the Group and the Company as at 30 April 2015, 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 financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Going concern

As disclosed in Note 2(a) to the financial statements, the Group incurred a net loss of US$24,746,742 (2014: US$14,450,402) and reported net cash outflows from operating activities of US$6,653,336 (2014: net cash inflows of US$4,658,321) during the financial year ended 30 April 2015. As at that date, the Group's current liabilities exceeded its current assets by US$42,895,080 (2014: US$37,178,442).

As disclosed in Note 23 to the financial statements, the Group breached the financial covenants of certain borrowings during the financial year. In addition, the Group also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates and the balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683.

As disclosed in Note 14 to the financial statements, a subsidiary within the tinplate manufacturing segment has suspended its operations during the financial year and yet to resume its operations as of the date of this report.

These factors indicate the existence of material uncertainties that may cast significant doubt on 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. This assumption is premised on future events, the outcome of which is inherently uncertain.

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.

Due to the matters described in the above paragraphs, we are unable to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Group's financial statements for the financial year ended 30 April 2015 are necessary.

2. Property, plant and equipment

As disclosed in Note 14 to the financial statements, the Group's property, plant and equipment as at 30 April 2015 amounted to US$73,131,079 (2014: US$73,268,248). Management determined that there is no impairment to the property, plant and equipment as their recoverable amounts exceed the net carrying values as at 30 April 2015.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the property, plant and equipment. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of property, plant and equipment as at 30 April 2015 are necessary.

3. Investments in subsidiaries and amounts due from subsidiaries

As disclosed in Note 18 to the financial statements, the Company's investments in subsidiaries and amounts due from subsidiaries are carried at cost amounted to US$79,460,123 and US$43,968,458 respectively. Management determined that there is no impairment to the Company's investments in subsidiaries and amounts due from subsidiaries as their recoverable amounts exceed the net carrying values as at 30 April 2015.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2015. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2015 are necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

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 subsidiary corporations incorporated in Singapore of which we are the independent auditor, have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore
31 July 2015

Extracted from relevant part of Notes 2(a), 14, 18 and 23 to the Audited Financial Statements of Novo Group Ltd. for the financial year ended 30 April 2015 (audited)

NOTE 2(A) – GOING CONCERN

The Group incurred a net loss of US$24,746,742 (2014: US$14,450,402) and reported net cash outflows from operating activities of US$6,653,336 (2014: net cash inflows of US$4,658,321) during the financial year ended 30 April 2015. As at that date, the Group's current liabilities exceeded its current assets by US$42,895,080 (2014: $37,178,442).

As disclosed in Note 23, the Group breached the financial covenants of certain borrowings during the financial year. In addition, the Group has also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates and the balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683.

As disclosed in Note 14, a subsidiary within the tinplate manufacturing segment has suspended its operations during the financial year and yet to resume its operations as of the date of this report.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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

(i) The continuing financial support from the immediate and ultimate 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) Adopting a disciplined capital allocation and constantly review capital expenditure plans thoroughly as to manage a balanced project portfolio to mitigate risks and optimise profitability for all existing projects;

(ii) Strengthening current customers' base with a focus on high growth potential markets in food and beverage sector, and strengthen customer relationship by providing quality products and services and engineering solutions to customers;

(iii) 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;

(iv) Focusing on cost reduction while exploring all the opportunities to increase the sales volume of trading business and tinplate products, as to achieve operational efficiency by fully utilise the capacity of the tinplate manufacturing plant; and

(v) Enhancing the research and development capabilities with the aims to expand the expertise in tinplate production, improving tinplate quality and bolster manufacturing capabilities by adding high-margin products to the product portfolio.

After considering the measures taken described above, the Group believes that it has adequate resources and can cut cost 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 in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from 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 non-current liabilities as current assets and current liabilities, respectively.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings	Plant and machinery	Furniture, fixtures and computer equipment	Motor vehicles	Renovation	Construction work-in-progress	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
2015							
Cost							
At 1.5.2014	**18,146,000**	**52,204,719**	**449,090**	**1,083,085**	**164,296**	**4,011,519**	**76,058,709**
Additions	**671,844**	**1,192,458**	**6,858**	–	–	**1,330,977**	**3,202,137**
Disposals/written off	–	–	**(23,123)**	–	**(17,717)**	**(72,074)**	**(112,914)**
Reclassification	**(2,388,507)**	**2,879,353**	**273,898**	–	–	**(764,744)**	–
Exchange realignment	**78,608**	**437,625**	**5,696**	**5,649**	**224**	**12,097**	**539,899**
At 30.4.2015	**16,507,945**	**56,714,155**	**712,419**	**1,088,734**	**146,803**	**4,517,775**	**79,687,831**
Accumulated depreciation							
At 1.5.2014	**1,153,318**	**686,720**	**242,065**	**602,161**	**106,197**	–	**2,790,461**
Charge for the financial year	**612,172**	**2,698,265**	**201,049**	**212,508**	**22,317**	–	**3,746,311**
Disposals/written off	–	–	**(8,058)**	–	**(3,357)**	–	**(11,415)**
Exchange realignment	**4,990**	**17,011**	**5,208**	**4,052**	**134**	–	**31,395**
At 30.4.2015	**1,770,480**	**3,401,996**	**440,264**	**818,721**	**125,291**	–	**6,556,752**
Net carrying value							
At 30.4.2015	**14,737,465**	**53,312,159**	**272,155**	**270,013**	**21,512**	**4,517,775**	**73,131,079**

Group	Leasehold land and buildings *US$*	Plant and machinery *US$*	Furniture, fixtures and computer equipment *US$*	Motor vehicles *US$*	Renovation *US$*	Construction work-in-progress *US$*	Total *US$*
2014							
Cost							
At 1.5.2013	7,420,604	–	339,637	1,078,509	150,329	39,047,662	48,036,741
Additions	–	291,472	103,086	262,939	18,075	27,231,250	27,906,822
Disposals/written off	–	–	–	(265,282)	(4,419)	–	(269,701)
Reclassification	10,708,949	51,892,351	–	–	–	(62,601,300)	–
Exchange realignment	16,447	20,896	6,367	6,919	311	333,907	384,847
At 30.4.2014	18,146,000	52,204,719	449,090	1,083,085	164,296	4,011,519	76,058,709
Accumulated depreciation							
At 1.5.2013	674,761	–	145,373	573,211	85,531	–	1,478,876
Charge for the financial year	477,387	688,005	96,375	234,268	25,017	–	1,521,052
Disposals/written off	–	–	–	(211,769)	(4,419)	–	(216,188)
Exchange realignment	1,170	(1,285)	317	6,451	68	–	6,721
At 30.4.2014	1,153,318	686,720	242,065	602,161	106,197	–	2,790,461
Net carrying value							
At 30.4.2014	16,992,682	51,517,999	207,025	480,924	58,099	4,011,519	73,268,248

The Group's construction work-in-progress included finance costs arising from bank loan borrowed specifically for the purpose of the construction of tinplate manufacturing plant in Jiangsu, the PRC. During the financial year ended 30 April 2014, the finance costs capitalised as cost of construction work-in-progress amounted to US$971,407. The interest rate used to determine the amount of finance costs eligible for capitalisation were ranged from 5.2% to 5.3% per annum, which were the effective interest rate of the specific borrowings. There is no finance costs capitalised for the financial year ended 30 April 2015.

During the financial year, a subsidiary within the tinplate manufacturing segment has suspended its operations and yet to resume its operations as of the date of this report. The property, plant and equipment relating to this subsidiary amounted to US$58,527,696.

At the end of the reporting period, property, plant and equipment with the following net carrying values are pledged to certain banks for banking facilities granted (Note 23):

	Group	
	2015	2014
	US$	*US$*
Leasehold land and buildings	**11,410,942**	13,279,716
Construction work-in-progress	**1,839,285**	439,549
Plant and machinery	**52,987,816**	51,244,662
	66,238,043	64,963,927

The analysis of net carrying value of leasehold land and buildings is as follows:

	Group	
	2015	2014
	US$	*US$*
Long leasehold land and building in HK	**5,019,408**	5,150,078
Long leasehold land and building in Shanghai, the PRC	**1,326,477**	1,398,483
Long leasehold buildings in Jiangsu, the PRC	**5,065,057**	6,731,155
Long leasehold building in Tianjin, the PRC	**3,326,523**	3,712,966
	14,737,465	16,992,682

NOTE 18 – INVESTMENTS IN SUBSIDIARIES (RELEVANT PART ONLY)

	Company	
	2015	2014
	US$	*US$*
Unquoted equity shares, at cost		
Cost		
Balance at beginning of financial year	**79,460,123**	79,588,337
Acquisition of a new subsidiary	**–**	1
Written off during the financial year	**–**	(128,215)
Balance at end of financial year	**79,460,123**	79,460,123
Amounts due from subsidiaries	**43,968,458**	–
	123,428,581	79,460,123

At the end of the reporting period, management considered that total receivables from subsidiaries amounting to US$43,968,458 are quasi-equity loans, and reclassified them from trade and other receivables (Note 21) and included in investments in subsidiaries. The quasi-equity loans have no repayment terms and are repayable only when cash flows of the subsidiaries permit. Accordingly, the amounts are stated at cost.

NOTE 23 – BORROWINGS (RELEVANT PART ONLY)

Breached of loan covenants

(i) *Bank loan*

The Group's bank loan is subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. The Group breached the financial covenants to maintain the required minimum consolidated net worth and minimum consolidated current assets to current liabilities ratio.

At the end of the reporting period, total bank loan outstanding amounting to US$22,750,000 (2014: US$24,000,000).

Due to these breaches of the covenants clauses, the bank is contractually entitled to request for immediate repayment of the outstanding loans. The outstanding loans are presented as current liabilities as at 30 April 2015.

Subsequent to the end of the reporting period, the Group obtained the bank's waiver letter in relation to the breach of financial covenants for the financial year ended 30 April 2015. The bank has also agreed not to demand immediate payment as a consequence of these breaches of covenant clauses.

(ii) *Working capital loans*

The Group's certain working capital loans are also subject to covenant clauses, whereby the Group is required to meet certain key financial ratios. A subsidiary breached the financial covenants to maintain the required minimum sales target requirement and maximum Debt-Asset ratio of the said subsidiary.

In addition, the Group also defaulted on the repayment of working capital loans amounting to US$7,854,000 on the respective due dates. The balances of these defaulted working capital loans remaining outstanding as at 30 April 2015 amounted to US$6,542,683 and are presented as current liabilities as at 30 April 2015. Subsequent to the end of the reporting period, working capital loans of US$3,271,342 has been repaid and the remaining balance of US$3,271,341 are still outstanding as at the date of this report.