

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)

Novo Group Ltd. (the “**Company**”, and, together with its subsidiaries, the “**Group**”) was placed on the Watch-List (the “**Watch-List**”) pursuant to Rule 1311 of the Listing Manual (the “**Listing Manual**”) of the SGX-ST on 3 September 2014.

Pursuant to Rule 1313(2) of the Listing Manual, the Board of Directors of the Company (the “**Board**”) wishes to provide the following quarterly update:

Update on Financial Position

For the second quarter ended 31 October 2014 (“**2QFY2015**”), the Group’s revenue was approximately US\$95,911,000, representing an increase of approximately 14.7% as compared with last corresponding period.

Please refer to the unaudited result announcement of the Company for 2QFY2015 released on 15 December 2014 for full details.

Update on Future Direction

Facing a slowdown in the world’s economy, the price of iron ore in China is expected to slide due to high inventories, soft demand and production cuts, resulting from inspections against environmental protection. International Iron ore price is also expected to stabilise and softly decline.

China, being the world’s biggest coal consumer and producer, will reintroduce import tariffs on the fuel with a view to support money-losing domestic miners and cause high coal cost in China. Nevertheless, international coal price is expected to remain stable as it is still cheaper and less polluting to import coal internationally than to dig up domestically. Accordingly, the total amount of international coal exports is expected to increase.

While Asian steel output being dominated by the development of Chinese steel production and Asia contains some of the world’s largest steel exporting and importing nations, it is expected that steel export from China will continue to be profitable accompanied with growing international demands and stabilised markets. If urbanisation project continues, accompanied by a strong growing economy and a growing middle class, the demand for steel is expected to stimulate in the coming year. Global supply and demand for steel will largely follow economic growth recovery around the world.

The Group believes the rising exports and infrastructure projects of China provide opportunities to steel and raw materials trading business in Asia, in particular, there are positive views on growth in Asian countries outside China. Therefore, the Group will stay close to the market on such changes and will react positively to capture any lead advantage opportunities.

Update on Future Direction (continued)

The tinsplate manufacturing project in Jiangsu continues to progress on track. Throughout the years, the Group has successfully widened business base to include food and beverage corporations in China and overseas markets, and customer base includes certain world-renowned packaging corporations from Europe, Middle East, South East Asia, South America and North America, in particular, the Group has established a positive reputation among metal packaging suppliers. In the long run, the Group will continue to:

- ✧ place a considerable emphasis on developing business opportunities in the said potentially growing markets;
- ✧ implement cost reduction program and adjust product profile in order to keep evolving along with the market; and
- ✧ improve profit margins and revenue contribution with a view to achieve long term sustainable and competitive advantage of the Group.

In the meantime, the Group has been working closely with the Chinese government authorities, construction designers and joint venture partner to ensure new projects comply with local environmental regulations and best fitted to market demand.

The Group is aware of the deadline given by the SGX-ST for its removal from the Watch-List.

BY ORDER OF THE BOARD

Yu Wing Keung, Dicky
Executive Chairman

15 December 2014