

NOVO GROUP LTD.

(Company Registration No. 198902648H)
(Incorporated in Singapore)

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 and Major Corporate Events

Please refer to the unaudited result announcement of the Company for the third quarter ended 31 January 2016 (“**3QFY2016**”) released on 15 March 2016 for full details.

Material Development and Future Direction

The Group’s revenue decreased by approximately 32.7% from approximately US\$ 68.2 million for the third quarter ended 31 January 2015 (“**3QFY2015**”) to approximately US\$45.9 million in 3QFY2016. The decrease in revenue was mainly due to substantial drop of unit selling prices arising from poor market conditions in resources industry and suspension of operation of tinsplate manufacturing plant.

The Group’s gross profit for 3QFY2016 amounted to approximately US\$391,000, representing a drop of approximately 90.7% as compared with approximately US\$4.2 million in 3QFY2015. The Group’s gross profit margin decreased from approximately 6.2% in 3QFY2015 to approximately 0.9% in 3QFY2016, mainly due to suspension of operation of tinsplate manufacturing plant with higher gross margin by April 2015.

The Group has achieved major milestones in its development. Mr. Zhu Jun has completed the acquisition of controlling interests in the Company through his wholly-owned company, Golden Star Group Limited on 5 October 2015 thereby becoming the controlling shareholder of the Group. With the general offer closed on 27 November 2015 and the new directors on board, the Group has officially started a new chapter.

Going forward, we have full confidence to maintain a steady development of our business, as we will explore new ideas and business plan to the Group and chart it on a new course.

Looking ahead, the Group anticipates an improved, though a mixed operating environment. In order to respond to the market, we aim to develop the main drivers of our group, namely international trading business and tinsplate manufacturing with vigilant costs control. The Group will keep an eye on and capture any new business development opportunities.

Trading Business

Trend of iron ore continue to decline this year due to oversupply while demand remains weak. The Group expects the iron ore prices will remain at low level. Given the aforesaid factor, the Group will make use of all viable procurements and marketing opportunities while utilise of different marketing platforms and operating prudently to achieve good results.

The Group expects steel export from China will continue to be profitable accompanied with growing international demands and stabilised markets. If urbanisation project continues, accompanied by a steady 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.

Coal import to China will experience challenges as local coal price remained relatively low and there is as oversupply in the regional market.

Tinplate Manufacturing Project

Currently, the tinplate manufacturing project, which has suspended its operation, is undergoing restructuring of the existing credit facilities to reduce fixed cost of the company and the Group intends to restart full operation after clearance of this.

Once restart, the aforesaid tinplate manufacturing project in Jiangsu will continue to focus on direct sales to end-users in canning sections on the export market.

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

BY ORDER OF THE BOARD

Zhu Jun

Executive Chairman

15 March 2016