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NOVO GROUP LTD.
新源控股有限公司*

(Incorporated in Singapore with limited liability)
(Company Registration No. 198902648H)

Hong Kong Stock Code: 1048

Singapore Stock Code: MR8

**DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE**

INTRODUCTION:

The Board is pleased to announce that Novo ETP, a wholly-owned subsidiary of the Company, has entered into the JVA with Tong Chang and Idowell, pursuant to which, (i) Novo ETP and Tong Chang shall incorporate Newco in the PRC with the primary aim to manufacture ETP in the PRC and marketing of the ETP products in the PRC as well as the overseas markets; and (ii) Idowell shall be the technical service provider to Newco. It is expected that Newco shall produce 60,000 tons ETP per annum in Phase 1A and up to 150,000 tons ETP per annum after the completion of Phase 1A and 1B, and further up to 300,000 tons ETP per annum in Phase 2. Newco shall consider whether to proceed to Phase 2 after completion of Phase 1B.

The registered capital of Newco shall be US\$7,500,000. Novo ETP shall share US\$7,125,000 (representing 95% interest) and Tong Chang shall share US\$375,000 (representing 5% interest) in the registered capital of Newco.

Based on the Group's initial capital commitment in Newco, the formation of Newco under the JVA shall constitute a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to the JVA, apart from the 5% shareholding to be held by Tong Chang, Tong Chang shall have the Call Option to acquire a further up to 30% shareholding from Novo ETP in the following manner: (i) 5% shareholding in Newco after Phase 1A at a predetermined price in RMB equivalent to US\$375,000; (ii) another 5% after Phase 1B at a predetermined price in RMB equivalent to US\$375,000; and (iii) an additional shareholding of up to 20% of total registered capital in Newco within 4 years after the signing of acceptance of protocol for the ETP production line in relation to the ETP project and after the completion of Phase 1A and 1B at a price to be agreed upon by Novo ETP and Tong Chang.

The Call Option granted is an arrangement to enable Tong Chang to acquire up to 35% shareholdings (including the 5% shareholding initially held by Tong Chang) in Newco in consideration of the contribution of Tong Chang's expertise towards the successful implementation of the respective phases of the ETP project.

Under the Call Option, the grant of options to Tong Chang to acquire 5% shareholding in Newco after Phase 1A at a predetermined price in RMB equivalent to US\$375,000 and another 5% after Phase 1B at a predetermined price in RMB equivalent to US\$375,000 (which are determined at arm's length negotiations by reference to the pro-rata contribution in the registered capital of Newco) shall on its own and in aggregate constitute exempt notifiable transaction(s) as each of the applicable percentage ratios are less than 5% under Chapter 14 of the Listing Rules.

The Call Option pursuant to which Tong Chang is granted the option to acquire an additional shareholding of up to 20% of total registered capital in Newco within 4 years after the signing of acceptance of protocol for the ETP production line in relation to the ETP project and after the completion of Phase 1A and 1B at a price to be agreed upon by Novo ETP and Tong Chang shall constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. The exercise of the Call Option by Tong Chang is subject to compliance with the applicable requirements of the Listing Rules at the time of the exercise.

THE JOINT VENTURE FRAMEWORK AGREEMENT

Date

12 March 2011

Parties

- (1) Novo ETP, a wholly-owned subsidiary of the Company, as one of the joint venture partners
- (2) Tong Chang, as one of the joint venture partners
- (3) Idowell, as technical service provider to Newco

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Tong Chang and Idowell and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules. The controlling shareholders of Tong Chang and Idowell are family relative.

Subject matter

The Company is pleased to announce that Novo ETP, a wholly-owned subsidiary of the Company, has entered into the JVA with Tong Chang and Idowell, pursuant to which, (i) Novo ETP and Tong Chang shall incorporate Newco in the PRC with the primary aim to manufacture ETP in the PRC and marketing of the ETP products in the PRC as well as the overseas markets; and (ii) Idowell shall be the technical service provider to Newco. It is expected that Newco shall produce 60,000 tons ETP per annum in Phase 1A and up to 150,000 tons ETP per annum after the completion of Phase 1A and 1B, and further up to 300,000 tons ETP per annum in Phase 2. Newco shall consider whether to proceed to Phase 2 after completion of Phase 1B, and the parties shall enter into a separate agreement if Phase 2 is to be proceed, subject to compliance with the Listing Rules.

The registered capital of Newco shall be US\$7,500,000. Novo ETP shall share US\$7,125,000 (representing 95% interest), which shall be financed by internal resource, and Tong Chang shall share US\$375,000 (representing 5% interest) in the registered capital of Newco. Novo ETP shall contribute not less than 15% of the Group's interest and Tong Chang shall contribute in RMB of an amount equivalent to not less than 15% of the Tong Chang's interest in the registered capital of Newco within 30 days of issuance of the business license (營業執照) of Newco and that the remaining portion shall be paid by the Group and Tong Chang respectively within one year of the incorporation date of Newco. Failure to comply with this provision shall cause the default party to bear a penalty charge, being calculated at 3% per month on any unpaid portion of contribution. The other party has the right to liquidate Newco, or to acquire the shareholding of the default party at a price which is calculated at 70% of its investment cost or to seek new investment partner if the amount has not been paid within 3 months.

Total investment in Newco in Phase 1A shall not exceed approximately US\$30,420,000. Further investment in Phase 1B shall not exceed approximately US\$10,650,000. Further investment in Phase 2 shall subject to the performance of Phase 1A and 1B. The difference between the investment amount and the registered capital of Newco and other sums required for the working capital and set up the manufacturing facility may be financed through bank borrowings or other means.

Pursuant to the JVA, apart from the 5% shareholding to be held by Tong Chang, Tong Chang shall have the Call Option to acquire a further up to 30% shareholding from Novo ETP in the following manner: (i) 5% shareholding in Newco after Phase 1A at a predetermined price in RMB equivalent to US\$375,000; (ii) another 5% after Phase 1B at a predetermined price in RMB equivalent to US\$375,000; and (iii) an additional shareholding of up to 20% of total registered capital in Newco within 4 years after the signing of acceptance of protocol for the ETP production line in relation to the ETP project and after the completion of Phase 1A and 1B at a price to be agreed upon by Novo ETP and Tong Chang. The exercise price under the option to acquire 5% shareholding in Phase 1A and Phase 1B respectively are determined at arm's length negotiations by reference to the pro-rata contribution in the registered capital of Newco. The Call Option arrangement is to enable Tong Chang to acquire up to 35% shareholdings (including the 5% shareholding initially held by Tong Chang) in Newco in consideration of the contribution of Tong Chang's expertise towards the successful implementation of the respective phrases of the ETP project.

The JVA also restrict Novo ETP, Tong Chang and Idowell to carry any business which may potentially compete with Newco at any time during the term of the JVA and within 5 years of the date the respective party ceases to be a party under the JVA.

Conditions

The JVA is conditional upon obtaining the approval by the National Development And Reform Committee (項目批復) and also obtain Certificate of Approval (批准證書) no later than 6 months after the effective date of the JVA and compliance with the Listing Rules by the Group.

Purposes of Newco

The purposes of Newco are to: (a) manufacture ETP in the PRC and marketing of the ETP products in the PRC as well as the overseas markets; and (b) engage in any and all other conducts, activities or businesses, which are related, directly or indirectly, to the attainment and continuation of the foregoing purposes.

Services by Idowell

Idowell shall provide technical services to Newco in Phase 1A and Phase 1B. The natures of technical services provided by Idowell shall include:

- (a) the whole production line's design;
- (b) equipment selection, negotiation and procurement;
- (c) management personnel and workforce training;
- (d) equipment installation and adjustment;
- (e) technical support for production; and
- (f) ensure Newco can start production at the right time, with the right quality and quantity.

Upon the satisfaction of the technical services provided by Idowell, Newco shall make two payments to Idowell for an amount in RMB equivalent to US\$375,000 each, immediately after the completion of Phase 1A and Phase 1B respectively.

Board Composition of Newco

The board of directors of Newco shall consist of 3 directors, which consist of a chairman (who is also a director), and 2 other directors. The chairman of the board, who is appointed by Novo ETP, shall also act as the legal representative of Newco. Novo ETP and Tong Chang shall each appoint 1 director to the board of Newco.

If the board of the directors of Newco do not reach unanimous decision on certain matters which may have a material impact on the business operations, the board of directors of Newco shall submit the matters to the shareholders and escalate to shareholders' representatives for discussion. If such matters cannot be resolved within 30 days, Novo ETP shall have an option to acquire the shareholding held by Tong Chang at a price by reference to an independent valuation report. If Novo ETP does not exercise such rights, Newco shall be liquidated. The Company shall comply with the applicable requirements of the Listing Rules on exercising the right to acquire the shareholding in Newco held by Tong Chang.

INFORMATION ON TONG CHANG AND IDOWELL

Tong Chang is a company incorporated in the PRC and engaged in the business of manufacturing and trading of ETP and similar products. Idowell is a PRC incorporated company which engaged in the business of ETP manufacturing technology service.

GENERAL INFORMATION

The Group is principally engaged in trading and distribution of steel products and related raw materials.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

In line with its corporate strategy for continuous growth and development via vertical and horizontal integration, the Company has strived to grow the company via direct investment, mergers and acquisitions and joint venture.

After having traded the electrolytic tin plate products for some years, and considering the promising market of the electrolytic tin plate in the PRC as well as overseas market, the Company has decided to enter this market, by setting up a joint venture company with a Chinese local joint venture partner. This joint venture investment complements to the present business structure of the Group and the management expects to have a positive multiplier impact to the various business units of the Group. The Directors believe that the joint venture arrangement shall bring substantial benefits to the Group's strategic move with the development of unique and sustainable long term business opportunities.

The global demand for electrolytic tin plate continues to grow and it is expected to increase to 18,000,000 tons per annum with the PRC becoming the tin plate production center in the world. The Group is expecting the joint venture arrangement shall provide steady income and enhance overall profit margin.

The Directors, including the independent non-executive Directors, consider that the formation of the joint venture is on normal commercial terms and the terms of the JVA are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Based on the Group's initial capital commitment in Newco, the formation of Newco under the JVA shall constitute a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Under the Call Option, the grant of options to Tong Chang to acquire 5% shareholding in Newco after Phase 1A at a predetermined price in RMB equivalent to US\$375,000 and another 5% after Phase 1B at a predetermined price in RMB equivalent to US\$375,000 shall on its own and in aggregate constitute exempt notifiable transaction(s) as each of the applicable percentage ratios are less than 5% under Chapter 14 of the Listing Rules.

The Call Option pursuant to which Tong Chang is granted the option to acquire an additional shareholding of up to 20% of total registered capital in Newco within 4 years after the signing of acceptance of protocol for the ETP production line in relation to the ETP project and after the completion of Phase 1A and 1B at a price to be agreed upon by Novo ETP and Tong Chang shall constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. The exercise of the Call Option by Tong Chang is subject to Compliance with the applicable requirements of the Listing Rules at the time of the exercise.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

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| “Board” | the board of Directors of Novo Group Ltd. |
| “Call Option” | the right granted to Tong Chang to acquire up to 35% shareholdings (including the 5% shareholding initially held by Tong Chang) in different phases in consideration of its contribution towards the successful implementation of the respective phases of the ETP project |
| “the Company” | Novo Group Ltd., a company incorporated in Singapore, whose shares are listed on the Singapore Exchange Securities Trading Limited (Singapore Stock Code: MR8) and the Stock Exchange (Hong Kong Stock Code: 1048) |
| “Directors” | directors of the Company |
| “ETP” | electrolytic tin plate to be manufactured by Newco in the PRC and marketing of the ETP in the PRC as well as the overseas markets under the JVA, for the canned food industries and in chemical industries |
| “Group” | the Company and its subsidiaries |
| “Idowell” | 上海艾多維鋼鐵工程技術有限公司 (Shanghai Idowell Steel Engineering And Equipment Co., Ltd*), a company registered in the PRC with limited liability |
| “JVA” | a legally binding joint venture framework agreement entered into between Novo ETP Limited, Tong Chang, and Idowell on 12 March 2011 |
| “Newco” | the joint venture to be formed in the PRC under the JVA to manufacture ETP products |
| “Novo ETP” | Novo ETP Limited (新源包裝材料有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “PRC” | The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macao Special Administrative Region of the PRC) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tong Chang” | 上海同場實業有限公司 (Shanghai Tong Chang Industrial Co., Ltd.*), a company registered in the PRC with limited liability |
| “%” | per cent |
| US\$ | United States Dollar |

By order of the Board
Novo Group Ltd.
Yu Wing Keung, Dicky
Chairman

Hong Kong, 15 March 2011

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Yu Wing Keung, Dicky, Mr. Chow Kin Wa, Mr. Chow Kin San and three independent non-executive Directors, being Mr. Foo Teck Leong, Mr. Tang Chi Loong and Mr. Tse To Chung, Lawrence.

* For identification purpose only