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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**

**MAJOR TRANSACTIONS IN RELATION TO THE  
ADDITIONAL CAPITAL INJECTION TO A JOINT VENTURE  
COMPANY AND THE SHAREHOLDER'S LOAN**

Reference is made to the Company's announcement dated 15 March 2011 regarding the formation of a joint venture to engage in the manufacture and marketing of ETP products.

The Board is pleased to announce that after the trading hours on 28 June 2011, Novo ETP, Tong Chang and Idowell entered into the Supplemental JVA to amend and vary the terms of the JVA, pursuant to which (i) Novo ETP and Tong Chang agree to contribute to the registered share capital of Newco on a pro-rata basis of US\$5,700,000 and US\$300,000 respectively and such that the registered capital of Newco shall increase by US\$6,000,000 to US\$13,500,000; and (ii) Novo ETP agrees to contribute to Newco a Shareholder's Loan for an amount not exceeding US\$2,500,000 within 12 months from the date of the Supplemental JVA. Upon completion of the Additional Capital Injection, the equity interest in Newco by the Group and Tong Chang shall remain at 95% and 5% respectively.

As the Additional Capital Injection and the Shareholder's Loan when aggregated with the Initial Capital Contribution exceed 25% but less than 100% of the applicable ratios under Rule 14.07 of the Listing Rules, the transactions under the Supplemental JVA constitute major transactions of the Company under Chapter 14 of the Listing Rules and are subject to notification, announcement and Shareholders' approval.

The Supplemental JVA further revised the exercise price of the 10% Call Option so that it shall increase to US\$675,000 for each of the 5% shareholding to be acquired by Tong Chang from Novo ETP after Phase 1A and Phase 1B as a result of the increase in registered capital of Newco. The grant of 10% Call Option shall constitute exempt notifiable transaction(s) as each of the applicable percentage ratios are less than 5% under Chapter 14 of the Listing Rules.

The exercise of the 20% Call Option by Tong Chang is subject to compliance with the applicable requirements of the Listing Rules at the time of the exercise.

A circular setting out, among others, details of the Supplemental JVA will be despatched to Shareholders in due course upon clearance of the circular by the Singapore Exchange Securities Trading Limited and the Stock Exchange.

## **INTRODUCTION**

On 12 March 2011, 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 proceed, subject to compliance with the Listing Rules.

The registered capital of Newco is US\$7,500,000, of which Novo ETP and Tong Chang have contributed US\$7,125,000 (representing 95% equity interest in Newco which was financed by internal resource) and US\$375,000 (representing 5% equity interest in Newco) respectively.

After the trading hours on 28 June 2011, Novo ETP, Tong Chang and Idowell entered into the Supplemental JVA for the purposes of increasing the existing registered share capital of Newco from US\$7,500,000 to US\$13,500,000 and that the Group shall contribute to Newco a Shareholder's Loan for an amount not exceeding US\$2,500,000 within 12 months from the date of the Supplemental JVA.

## **SUPPLEMENTAL JVA**

### **Date**

28 June 2011

### **Parties**

- (1) Novo ETP, 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, each of Tong Chang and Idowell and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Subject matter**

As at the date of this announcement and before the execution of the Supplemental JVA, Newco has total amount of registered capital of US\$7,500,000 and the whole amount has been fully paid up. Pursuant to the Supplemental JVA, (i) Novo ETP and Tong Chang agree to contribute to the registered share capital of Newco on a pro-rata basis of US\$5,700,000 and US\$300,000 respectively and such that the registered capital of Newco shall increase by US\$6,000,000 to US\$13,500,000; and (ii) Novo ETP agrees to contribute to Newco a Shareholder's Loan for an amount not exceeding US\$2,500,000 within 12 months from the date of the Supplemental JVA.

Total investment in Newco in Phase 1A shall not exceed approximately US\$41,650,000. Further investment in Phase 1B shall not exceed approximately US\$10,800,000. Further investment in Phase 2 shall subject to the performance of Phase 1A and 1B.

The initial contribution to the registered capital of the Newco, being not less than 15% of the respect contribution in the Newco committed to be contributed by Novo ETP and Tong Chang, shall be paid within 90 days upon the approval from PRC authorities and the balance of the total registered capital shall be paid by Novo ETP and Tong Chang in proportion within 2 years upon the completion of the payment for the initial contribution.

The amount of the Additional Capital Injection and the Shareholder's Loan is determined after arm's length negotiations between Tong Chang and Novo ETP with reference to the expected future funding requirements of Newco. The Additional Capital Injection and the Shareholder's Loan to be contributed by the Company shall be satisfied by internal resources and through bank borrowings.

After the Additional Capital Injection, the equity interest in Newco by the Group and Tong Chang shall remain at 95% and 5% respectively.

The Supplemental JVA further revised the exercise price of the 10% Call Option so that it increases to US\$675,000 for each of the 5% shareholding to be acquired by Tong Chang from Novo ETP after each of Phase 1A and Phase 1B as a result of the increase in registered capital of Newco. The grant of the 10% Call Option 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 exercise of the 20% Call Option by Tong Chang is subject to compliance with the applicable requirements of the Listing Rules at the time of the exercise.

## **Conditions**

The Supplemental JVA is conditional upon the Company obtaining the shareholders' approval by way of poll of the relevant resolution(s) and compliance with the relevant requirements under Listing Rules.

## **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.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in trading and distribution of steel products and related raw materials. The Group will continue its trading and distribution of steel products and related raw materials, 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. The Group will place more efforts in the existing businesses and will further look for new investment opportunities.

## **FINANCIAL EFFECTS OF THE ADDITIONAL CAPITAL INJECTION AND THE SHAREHOLDER'S LOAN**

The Additional Capital Injection and the Shareholder's Loan will be funded by internal resources of the Group and the bank borrowings, and the Directors do not expect the Additional Capital Injection and the Shareholder's Loan will have any adverse impact on the Group's net assets and earnings per share.

## **REASONS FOR THE ADDITIONAL CAPITAL INJECTION AND THE SHAREHOLDER'S LOAN**

Newco is a limited company incorporated in the PRC on 17 March 2011 for the purpose of (a) manufacturing of 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 and indirectly, to the attainment and continuation of the foregoing purposes. Upon completion of the Additional Capital Injection, the equity interest in Newco by the Group and Tong Chang shall remain at 95% and 5%.

The Company is principally engaged in trading and distribution of steel products and related raw materials. Apart from the core business of steel products and related businesses, the Group shall via Newco enter into electrolytic tin plate manufacturing and marketing businesses that are not only complementary to the Group's existing business, but also have good growth potential.

The Group through Newco will undertake a development project at Taizhou, the PRC which involves the development and construction plan at the site of Xing Hua Shi, Jiangsu province, the PRC (中國江蘇省興化市) relating to the production of 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. Newco shall consider whether to proceed to Phase 2 after completion of Phase 1B, and separate agreement(s) will be entered into if Phase 2 is to be proceeded, subject to compliance with the Listing Rules.

Up to the date of this announcement, Newco (as borrower), Novo ETP (as mortgagor) and the Company (as 100% guarantor) have received indicative term sheet(s) from bank(s) for a US\$24,000,000 term loan facilities to be granted to Newco and the proceeds of which is expected to be used to finance the development, construction and production costs at Phase 1A of Newco. As at the date of this announcement, negotiations between the Group and bank(s) for the terms and conditions of the term loan are still undergoing and no agreement has been entered into regarding the aforesaid loan. Newco may further borrow from bank(s) for an amount not exceeding RMB40,000,000 to finance the development of Phase 1B of Newco.

To facilitate the development of the Taizhou project and provides greater financial flexibility, the cost of investment is expected to increase up to US\$41,650,000 in Phase 1A and up to US\$10,800,000 in Phase 1B under the Supplemental JVA and that adjustment in the registered capital of Newco is by reference to the PRC regulation which require the registered capital to be made up at least 1/3 of the total investment provided that the total investment is over US\$30,000,000. The Shareholder's Loan shall finance part of the investment cost in Phase 1A according to the funding requirements of the Taizhou project.

It is anticipated that the Company would benefit from good return from the aforesaid development at Taizhou, the PRC. The development at the site of Xing Hua Shi, Jiangsu province, the PRC (中國江蘇省興化市) is expected to further benefit the Group from its corporate strategy for continuous growth and development via vertical and horizontal integration. In the long run, the Group will benefit from the provision of steady cash flow by the aforesaid project from the trading and manufacturing of ETP products. As such, the Directors, including the independent non-executive Directors, consider that the Additional Capital Injection is in the interests of the Company and the Shareholders as a whole.

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

## **LISTING RULES IMPLICATIONS**

As the Additional Capital Injection and the Shareholder's Loan when aggregated with the Initial Capital Contribution exceed 25% but less than 100% of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the transactions under the Supplemental JVA constitute major transactions for the Company under Chapter 14 of the Listing Rules and are subject to notification, announcement and Shareholders' approval.

The grant of the 10% Call Option shall constitute exempt notifiable transaction(s) as each of the applicable percentage ratios are less than 5% under Chapter 14 of the Listing Rules.

The grant of the 20% Call Option shall constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and therefore the exercise of the 20% Call Option shall be subject to compliance with the applicable requirements of the Listing Rules at the time of the exercise.

A circular setting out, among others, details of the Supplemental JVA will be despatched to Shareholders in due course upon clearance of the circular by the Singapore Exchange Securities Trading Limited and the Stock Exchange.

## **DEFINITIONS**

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

“Additional Capital Injection”      the proposed contribution to the registered share capital of Newco by Novo ETP and Tong Chang on a pro-rata basis of US\$5,700,000 and US\$300,000, respectively, pursuant to the Supplemental JVA

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|-----------------------|---|
| “10% Call Option”     | the right granted to Tong Chang under the JVA and the Supplemental JVA to further acquire an aggregate of 10% shareholdings from Novo ETP (apart from the 5% shareholdings initially held by it), the exercise price of which shall increase to US\$675,000 under the Supplemental JVA for each of the 5% shareholding to be acquired after each of Phase 1A and Phase 1B as a result of the increase in registered capital of Newco in consideration of Tong Chang’s expertise towards the successful implementation of the respective phases of the ETP project |
| “20% Call Option”     | the right granted to Tong Chang under the JVA and the Supplemental JVA to acquire an additional 20% shareholdings (apart from the 5% shareholdings initially held by it and the 10% Call Option) 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 in consideration of Tong Chang’s expertise towards the successful implementation of the respective phases of the ETP project           |
| “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)  |
| “Board”               | the board of Directors of the Company   |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Director(s)”         | the director(s) 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 and the Supplemental 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  |

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|---|---|
| “Initial Capital Contribution”                  | US\$7,500,000, being the initial registered share capital of Newco under the JVA, of which the Group and Tong Chang have contributed US\$7,125,000 (being 95% of the equity interest of Newco) and US\$375,000 (being 5% of the equity interest of Newco) respectively, details of which were set out in the Company’s announcement dated 15 March 2011 |
| “JVA”   | a legally binding joint venture framework agreement entered into between Novo ETP, Tong Chang, and Idowell on 12 March 2011   |
| “Listing Rules”                                 | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Newco”   | a joint venture company, namely 新源同昌包裝材料(泰州)有限公司 (Novowell ETP Limited*) incorporated in the PRC on 17 March 2011 with limited liability for the manufacturing of ETP products, of which Novo ETP owns as to 95% and Tong Chang owns as to 5% as at the date of this announcement   |
| “Novo ETP”                                      | Novo ETP Limited (新源包裝材料有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company  |
| “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 People’s Republic of China)  |
| “Shareholder(s)”                                | the holder(s) of the share(s) of the Company  |
| “Shareholder’s Loan”                            | a shareholder’s loan for an amount not exceeding US\$2,500,000 to be contributed by the Group to Newco within 12 months from the date of the Supplemental JVA   |
| “Stock Exchange”                                | The Stock Exchange of Hong Kong Limited   |
| “Singapore Exchange Securities Trading Limited” | Singapore Exchange Securities Trading Limited   |
| “Supplemental JVA”                              | a legally binding supplemental joint venture framework agreement (to amend and vary the terms of the JVA) entered into between Novo ETP, Tong Chang, and Idowell on 28 June 2011  |
| “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  |

“RMB” Renminbi, the lawful currency of the PRC

“US\$” United States Dollar

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

Hong Kong, 28 June 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*