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Novo Group Ltd.
新源控股有限公司*

(Registration No. 198902648H)

(Incorporated in Singapore with limited liability)

Stock Code: 1048

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is a reproduction of the announcement made by Novo Group Ltd. (the “**Company**”) regarding an announcement pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited. In compliance with Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires a listed issuer to ensure that if securities of the listed issuer are also listed on other stock exchanges, The Stock Exchange of Hong Kong Limited is simultaneously informed of any information released to any of such other stock exchanges and that such information is released to the market in Hong Kong at the same time as it is released on other markets, and please refer to the attached announcement on the next page issued on the Singapore Exchange Securities Trading Limited on 28 June 2011.

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 executive Directors are Mr. Yu Wing Keung, Dicky (Chairman), Mr. Chow Kin Wa, Mr. Chow Kin San and the independent non-executive Directors are Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence.

* *for identification purpose only*

NOVO GROUP LTD.

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

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

Introduction

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 electrolytic tin plate ("ETP") products.

The Board is pleased to announce that after the close of trading on 28 June 2011, Novo ETP Limited ("Novo ETP"), a wholly-owned subsidiary of the Company, 上海同場實業有限公司 (Shanghai Tong Chang Industrial Co., Ltd.*) ("Tong Chang") and 上海艾多維鋼鐵工程技術有限公司 (Shanghai Idowell Steel Engineering And Equipment Co., Ltd*) ("Idowell") entered into a Supplemental Joint Venture Framework Agreement ("Supplemental JVA") to amend and vary the terms of the joint venture framework agreement dated 12 March 2011 ("JVA") pursuant to which Novo ETP and Tong Chang agree to contribute to the registered share capital of 新源同昌包裝材料(泰州)有限公司 (Novowell ETP Limited*) ("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 ("Additional Capital Injection") and that the Group shall contribute to Newco a shareholder's loan for an amount not exceeding US\$2,500,000 ("Shareholder's Loan") within 12 months from the date of the Supplemental JVA (collectively, the "Proposed Investment").

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.

Under 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 shall increase to US\$675,000 for each of the 5% shareholding to be acquired by Tong Chang from Novo ETP after each of the Phase 1A and Phase 1B as a result of the increase in registered capital of Newco (“10% Call Option”). The Supplemental JVA also provides for the grant of the 20% call option (being the right granted to Tong Chang to acquire an additional 20% shareholdings apart from its 5% initial shareholdings and the 10% Call Option, “20% Call Option”) which is exercisable 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.

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 the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) and the Listing Manual of the SGX-ST (“Listing Manual”).

Shareholders’ Approval in respect of the Proposed Investment

The Proposed Investment is governed by the rules of Chapter 10 of the Listing Manual. The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable
(b)	Net profits attributable to the assets acquired compared with the Group’s net assets	Not applicable
(c)	Total aggregate consideration of US\$15,325,000 ^(Note 1) compared to the Company’s market capitalisation of US\$51,342,226.0 ^(Note 2)	29.85%
(d)	Number of equity securities issued as consideration for the acquisition, compared with the number of equity securities previously issued	Not applicable

Notes:

- (1) Being the Group’s 95% equity interest in the registered capital of Newco

	US\$
Initial share capital of Newco by reference to the Company’s announcement dated 15 March 2011	7125,000
Proposed capital injection on a pro-rata basis	5,700,000
Proposed shareholder’s loan to be provided by the Group within 12 months	<u>2,500,000</u>
	<u>US\$15,325,000</u>

- (2) The market capitalisation US\$51,342,226.02 is based on the volume weighted average share price of S\$0.3711 on 23 June 2011 (being the last market day on which transactions were recorded, before the day on which the Supplemental JVA is executed), 170,804,269 issued shares and exchange rate of S\$1=US\$0.81 at the close of the date of this announcement.

As the relative figure under Rules 1006(c) above exceeds 20 per cent, the Proposed Investment constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Investment is conditional upon approval by Shareholders in a general meeting pursuant to Rule 1014 of the Listing Manual.

INFORMATION ON TONG CHANG AND IDOWELL

Tong Chang is a company incorporated in the People's Republic of China ("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 bank borrowings, and the Directors do not expect the Additional Capital Injection and the Shareholders' Loan will have any adverse impact on the Group's net assets and earnings per share.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for the above disclosure and their directorships in Newco, none of the Directors and controlling shareholders of the Company have any interest, direct or indirect, in the aforesaid transaction(s).

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 processing 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 Manual and Hong Kong 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 under-going and no agreement has been entered into regarding the aforesaid loan.

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.

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 SGX-ST and the Stock Exchange of Hong Kong Limited.

INSPECTION

Copies of the JVA and the Supplemental JVA are available for inspection during normal business hours at the Company's registered office at 20 Harbour Drive, #05-01 PSA Vista, Singapore 117612 and the headquarter and principal place of business in Hong Kong at Rooms 1109-1111, 11th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong for three months from the date of this announcement.

BY ORDER OF THE BOARD

Yu Wing Keung, Dicky
Executive Chairman
28 June 2011

** For identification purpose only*