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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

**UPDATES ON THE PROPOSED
JOINT VENTURE – THE ENTERING INTO
THE COOPERATION AGREEMENT
AND
TERMINATION OF THE JVA**

On 11 May 2011, Novo Investment, a wholly-owned subsidiary of the Company has entered into the JVA with Qingdao Port Investment for the purpose of formulating a sino-foreign joint venture enterprise in the PRC with their equity interest in the proportion of 98% and 2% respectively.

In order to facilitate the registration procedure for setting up the new business, the Board announces that on 29 August 2011 Novo Investment and Qingdao Port Investment have entered into a legally binding Cooperation Agreement pursuant to which: (i) Novo Investment will formulate the WFOE with a registered capital of RMB30,000,000; (ii) Qingdao Port Investment has an option to acquire 2% equity interest in the WFOE from Novo Investment at any time at a price being the 2% of the prevailing registered capital of the WFOE having been contributed by Novo Investment as at the date of the share transfer; (iii) upon execution of the equity transfer document, Novo Investment and Qingdao Port Investment will enter into a new joint venture agreement under the terms and conditions to be agreed upon by both parties; (iv) the said 2% equity transfer by Novo Investment to Qingdao Port Investment is subject to approval having been obtained from the relevant government authorities; and (v) upon the said 2% equity transfer and approvals having been obtained from the relevant government authorities, the WFOE will be changed to a sino-foreign joint venture enterprise. The JVA dated 11 May 2011 has been terminated upon the execution of the Cooperation Agreement.

The Company shall subject to the applicable notification, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules when Qingdao Port Investment exercises the option of acquisition of the 2% equity interest in the WFOE.

BACKGROUND

THE COOPERATION AGREEMENT

Date

29 August 2011

Parties

- (1) Novo Investment, a wholly-owned subsidiary of the Company, as one of the joint venture partners
- (2) Qingdao Port Investment, as one of the joint venture partners

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Qingdao Port Investment and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

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Novo Investment shall furnish the said 2% equity transfer be approved by the relevant government authorities within 15 days upon execution of any equity transfer document and the board of the WFOE shall approve the said 2% equity transfer within 5 days.

The consideration in respect of the option to acquire the 2% equity interest in the WFOE by Qingdao Port Investment is at a price being the 2% of the prevailing registered capital of the WFOE having been contributed by Novo Investment at the date of the share transfer and to be settled in a lump sum within 30 days upon completion of the said 2% equity transfer. After completion of the said 2% equity transfer, Qingdao Port Investment shall make payment of the unpaid registered capital of the new sino-foreign joint venture enterprise on a proportionate basis in accordance with the articles of association of the new sino-foreign joint venture enterprise.

The business scope of the WFOE includes, among other things, warehousing, processing and sale of iron ore and coal in the PRC.

Upon the completion of the said 2% equity transfer and approval having been obtained from the relevant government authorities, the equity interest in the new sino-foreign joint venture enterprise by Novo Investment and Qingdao Port Investment shall be at 98% and 2% respectively.

INFORMATION ON QINGDAO PORT INVESTMENT

Qingdao Port Investment is a state-owned entity incorporated in the PRC and engaged in the business of port investment and management, and related infrastructure business.

GENERAL INFORMATION

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

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.

Leveraging on the Group's experience in trading and warehousing arrangement in steel products, the Group intends to participate in warehousing and processing business in the PRC and considering the promising market of the warehousing, processing and sale of iron ore and coal in the PRC, the Company has decided to enter this market, by setting up a company in the PRC. The proposed new arrangement under the Cooperation Agreement shall facilitate the registration procedure for setting up the new business and it complement of the present business structure of the Group and the management expects the Cooperation Agreement to have a positive multiplier impact to the various business units of the Group. The Directors believe that the Cooperation Agreement 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 iron ore and coal continue to grow significantly. The Group is expecting the Cooperation Agreement will facilitate the registration procedure for setting up a new business which shall provide steady income and enhance overall profit margin.

The Directors are of the view that the Cooperation Agreement will enable the Group to have a complete control over the WFOE's business operation and management whereas the arrangements set under the Cooperation Agreement are in line with the principles of the JVA which involves joint venture partner's contribution of its expertise experience.

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

LISTING RULES IMPLICATIONS

The Company shall subject to the applicable notification, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules when Qingdao Port Investment exercises the option of acquisition of the 2% equity interest in the WFOE.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“the Company”	Novo Group Ltd., a company incorporated in Singapore, whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited (Singapore Stock Code: MR8) and the main board of the Stock Exchange (Hong Kong Stock Code: 1048)
“Cooperation Agreement”	a legally binding cooperation agreement entered into between Novo Investment and Qingdao Port Investment on 29 August 2011

“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“JVA”	a legally binding joint venture agreement entered into between Novo Investment and Qingdao Port Investment on 11 May 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novo Investment”	Novo Investment Limited (香港新源投資有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company with limited liability, and is engaged in investment holding
“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)
“Qingdao Port Investment”	青島港口投資建設(集團)有限責任公司 (Qingdao Port Investment and Construction Group Co., Ltd*), a company registered in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WFOE”	青島新源港投物流有限公司 (Qingdao Novo Port Investment Logistic Limited*), a 100% wholly foreign-owned enterprise existing under the laws of the PRC to be formed by Novo Investment under the Cooperation Agreement with the primary aim to warehousing, processing and sale of iron ore and coal in the PRC.
“%”	per cent

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

Hong Kong, 29 August 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*