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

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is a reproduction of the announcement made by Novo Group Ltd. (the "**Company**") regarding a clarification 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 19 December 2011.

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

Hong Kong, 19 December 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. Tang Chi Loong, Mr. Foo Teck Leong and Mr. Tse To Chung, Lawrence.

* *For identification purpose only*

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Registration No. 198902648H
Incorporated in the Republic of Singapore

ADDITIONAL INFORMATION FOR THE FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 31 OCTOBER 2011

The Board of Directors of Novo Group Ltd. (the "Company", and together with its subsidiaries, the "Group") wishes to provide additional information in relation to its Financial Statements and Dividend Announcement for the six months period ended 31 October 2011 which was released on 13 December 2011.

The information is provided in response to SGX's queries as follows:

No.	SGX's queries	Company's responses
a.	We note that revenue for the 3 months ended 31 October 2011 was around 46% higher than revenue for the 3 months ended 31 July 2011. Please explain the increase in revenue.	It was mainly due to more sales had been concluded in the three months ended 31 October 2011 attributed to a steady recovery of the demand of coal and steel products as compared to three months ended 31 July 2011.
b.	Though revenue decreased by 22% from US$208 million to US$163 million for the 6 months period ended 31 October 2011, receivables increased by 56% for the same period. It was stated that this was mainly due to increase in trade receivables being recorded towards the end of the quarter. Please disclose: 1. the reason of the increase in trade receivables towards the end of the quarter;	It was mainly due to certain international trade transactions amounted to approximately US$23 million had been concluded during the last week of October 2011.
	2. the average trade receivable turnover days as at 31 October 2011 and 31 October 2010;	Average trade receivable turnover days as at 31 October 2011 and 31 October 2010 were approximately 29 days and 26 days respectively.
	3. the breakdown percentage between trade and other receivables; and	Trade receivables and other receivables representing approximately 69% and 31% of total receivables as at 31 October 2011 respectively.
	4. whether the Company foresees any issues with the collection of these trade receivables.	The Company did not foresee any collection issues as most of these trade receivables were settled by letter of credits and approximately 87% of the Group's trade receivables as at 31 October 2011 were secured by the payment terms of irrevocable letter of credits. As at the date of this announcement, approximately 92% of trade receivables as at 31 October 2011 were settled.

c.	It is stated that the most of the freight charges were paid by the Group in the 3 months period ended 31 October 2011 due to the change of trading terms in the international trading business. Please state and explain the change of the trading terms and how it affects the Company's financials.	During the three months ended 31 October 2010, most of the sales transactions were concluded under the trading terms of "CIF" or "CFR" (i.e., the freight charges were included in cost of sales), whilst during the three months ended 31 October 2011, most of the sales transactions were concluded under the trading terms of "FOB" (i.e., the freight charges were included in distribution and selling expenses). Profit after freight charges and distribution agency fees amounted to approximately US$2.2 million for the three months ended 31 October 2011, whereas approximately US$1.7 million for the three months ended 31 October 2010.
d.	Gross profit margin for the quarter ended 31 October 2011 was about 8% (7% for the 6 months ended) while the gross profit margin for the corresponding period ended 31 October 2011 was about 3% (4% for the 6 months ended). Please state the reason(s) for the increase of the gross profit margin.	With the effects of change of the trading terms as explained under question (c) above, gross profit margin after freight charges and distribution agency fees for the three months ended 31 October 2011 and the six months ended 2011 were approximately 2.3% and 2.5% respectively.
e.	We note from the cashflow statement that the Company has purchased US$1.6 million and US$2.5 million of property, plant and equipment for the 3 months and 6 months period ended 31 October 2011. Please provide details on the purchases of property, if any, and whether the Company is in compliance with Chapter 10 of the Listing Manual.	The US$1.6 million mainly representing the acquisition of land in Jiangsu province of the PRC for the ETP manufacturing plant which has been approved at the extraordinary general meeting of the Company on 26 September 2011, and the progress payment of the construction of our steel processing plant in Tianjin of the PRC. The US$2.5 million collectively mainly representing the acquisition of land in Jiangsu province of the PRC for the ETP manufacturing plant, the progress payment of the construction of our steel processing plant in Tianjin of the PRC together with the purchase of new office unit by one of our Shanghai subsidiaries (collective, the "Acquisitions"). The Company confirmed that the Acquisitions are in compliance with Chapter 10 of the Listing Manual (the "Listing Manual").
f.	We note that the Group has secured an initial land of 300mu. Please let us know whether the Company is in compliance with Chapter 10 of the Listing Manual and provide the necessary computation pursuant to Listing Rule 1006.	The Group verbally agreed with the government authority of Qingdao city of the PRC that a piece of land of approximately 300mu will be allocated to the Group for our iron ore and coal warehousing and processing project and as of the day of this announcement, no legally binding agreement has been signed and the Group will comply with the requirements of Chapter 10 of the Listing Manual and Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited at the time of entering into the legally binding land acquisition agreement.

BY ORDER OF THE BOARD

Yu Wing Keung, Dicky
Executive Chairman
19 December 2011