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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 TRANSACTIONS:
(1) DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY
AND
(2) FORMATION OF A JOINT VENTURE COMPANY

On 16 July 2012, Novo Development (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with Tianjin Yida (an independent third party) and Qiang Hua (an indirect wholly-owned subsidiary of the Company) to: (i) dispose the Equity Interest 1 to Tianjin Yida at the consideration of RMB25 million; and (ii) to transfer the Equity Interest 2 to Qiang Hua at the consideration of RMB2.5 million.

As one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements under the Listing Rules.

On the same date, Novo Development, Tianjin Yida and Qiang Hua entered into the JVA to establish the JV Company for, among other things, packing, canning and distribution of high quality canned food and beverage products in the PRC. The registered capital of the JV Company shall be RMB20,000,000, which shall be contributed as to 45% (i.e. RMB9,000,000) by Novo Development, as to 50% (i.e. RMB10,000,000) by Tianjin Yida, and as to 5% (i.e. RMB1,000,000) by Qiang Hua.

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

DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

The Board of the Company wishes to announce that, on 16 July 2012, Novo Development (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with Tianjin Yida (an independent third party) and Qiang Hua (an indirect wholly-owned subsidiary of the Company) to: (i) dispose the Equity Interest 1 to Tianjin Yida at the consideration of RMB25 million; and (ii) to transfer the Equity Interest 2 to Qiang Hua at the consideration of RMB2.5 million.

THE AGREEMENT

Date

16 July 2012

Parties

- (1) Novo Development Limited, an indirect wholly-owned subsidiary of the Company, as a vendor
- (2) 天津億達投資有限公司 (Tianjin Yida Investment Co., LTD*), a company registered in the PRC with limited liability, as one of the purchasers
- (3) Qiang Hua Trading Limited, an indirect wholly-owned subsidiary of the Company, as one of the purchasers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Tianjin Yida and its respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

The Disposal of the Equity Interest 1

The disposal of the Equity Interest 1 (being 50% of the equity interest in the Target Company) is 100% beneficially owned by Novo Development prior to the completion of the Disposal. A first right of refusal is provided to the other parties should any one of Novo Development, Tianjin Yida or Qiang Hua wishes to dispose of its equity interest in the Target Company to any third party(ies) in accordance with the terms and conditions of the Agreement.

Consideration

The aggregate consideration for the Equity Transfers is RMB27.5 million, out of which:–

- (i) RMB25 million is the consideration for the Equity Interest 1
- (ii) RMB2.5 million is the consideration for the Equity Interest 2

Settlement

- (i) The consideration of RMB25 million for the Equity Interest 1 shall be payable in cash by Tianjin Yida to the registered capital of the Target Company within 5 business days after obtaining the approvals from the relevant governmental authorities on the Equity Transfers;
- (ii) The consideration of RMB2.5 million for the Equity Interest 2 shall be payable in cash to Novo Development within 5 business days after obtaining the approvals from the relevant governmental authorities on the Equity Transfers; and
- (iii) the remaining registered capital of approximately US\$430,000 of the Target Company shall be paid by all parties on a pro-rata basis within 15 business days after obtaining the approvals from the relevant governmental authorities on the Equity Transfers.

The aggregate consideration was determined after arm's length negotiations between Novo Development, Tianjin Yida and Qiang Hua with reference to the net realisable asset value of the Target Company as at 29 February 2012 as appraised by a PRC independent qualified valuation firm.

INFORMATION ON TIANJIN YIDA

Tianjin Yida, an independent third party, being a limited liability company established in the PRC to engage in, among others, investment, property agency, consultancy and investment management consultancy, etc, whilst Tianjin Yida's group engaged in, among others, manufacturing and distribution of food and beverages, tinplate processing, can making, food packaging, research and development of food and beverage processing technology in the PRC (collectively the "JV Partner Group").

INFORMATION ON THE TARGET COMPANY

The Target Company is a wholly-owned foreign enterprise established in the PRC on 21 January 2009, whose principal business is processing and sales in steel and metal products and which is an indirect wholly-owned subsidiary of the Company prior to the completion of the Equity Transfers. The Target Company is expected to focus on, among other things, tinplate, tin free steel and other flat rolled coils for cutting, slitting, printing, coating and tin can making before distribution in the PRC market.

Up to the date of this announcement, the total investment and registered capital of the Target Company are US\$17,100,000 and US\$8,570,000, of which US\$4,185,961.30 had been paid up by Novo Development. The difference between the total investment and the registered capital of the Target Company may be financed by internal resources or bank borrowing.

Following the completion of the Equity Transfers, the remaining registered capital of approximately US\$430,000 shall be paid by all parties on a pro-rata basis within 15 business days after obtaining the approvals from the relevant governmental authorities on the Equity Transfers. The Equity Interest 2 to be held by Qiang Hua is in trust for Novo Development. Accordingly, each of the Group and Tianjin Yida is beneficial owner of 50% of the equity interest in the Target Company, respectively, after completion of the Equity Transfers. Thereafter, the Target Company will change from a wholly-owned foreign enterprise to a sino-foreign equity joint venture in PRC.

The board of directors of the Target Company will have 5 members, in which each of the Group and Tianjin Yida can nominate 3 and 2 directors respectively in the board of directors of the Target Company. The chairman of the board of Target Company will also act as a legal representative and be nominated by Tianjin Yida. As the Group has control over the board of directors and 50% of the equity interest of the Target Company, the Target Company shall remain accounted for as a subsidiary of the Company.

According to the audited financial statements of the Target Company for the year ended 31 December 2010, the audited net losses before and after taxation were RMB1,320,304.61. According to the audited financial statements of the Target Company for the year ended 31 December 2011, the audited net losses before and after taxation were RMB1,029,373.05. The audited net assets of the Target Company as at 31 December 2011 was RMB24,507,554.61.

REASONS FOR THE DISPOSAL OF THE EQUITY INTEREST 1

The processing plant of the Target Company will be mainly engaged in, among other things, decoiling, cutting, slitting, coating and printing of tinsplate and tin free steel coil and tin can making, for domestic sales and distribution in the whole of the PRC. It has been the intention of the Group to transform the Target Company into potential equity joint venture arrangement with high calibre joint venture partner(s) to strengthen investment in the production facilities and input of high calibre technicians for long term business success. The JV Partner Group is experienced in manufacturing and distribution of food and beverages, tinsplate processing, can making, food packaging, research and development of food and beverage processing technology in the PRC and hence the management believes that the Disposal together with the joint venture arrangement would achieve such targets and bring in high caliber staffs to strengthen facilities installation and efficiency to the processing plant. The JV Partner Group has strong business network that would facilitate products distribution and bring in good returns to this project. Accordingly, it is believed that the Company would benefit from good returns with substantial benefits to the Group's strategic move with the development of unique and sustainable long term business opportunities.

On the other hand, the Disposal would provide the Group with an opportunity to realise part of its investment in the PRC and allows the Group to reallocate its resources to other principal businesses of the Group.

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

CONDITION

The Equity Transfers contemplated under the Agreement are conditional upon compliance to all applicable regulations in Hong Kong and/or Singapore and approval having been obtained from the relevant PRC government authorities.

FINANCIAL EFFECTS

It is estimated there will be a gain on the Disposal of approximately USD100,000, being the difference between the consideration for the Disposal and the estimated book carrying value of the Target Company attributable to the Group at completion of the Disposal.

USE OF PROCEEDS

The consideration for the Disposal of RMB25 million shall be payable in cash by Tianjin Yida to the Target Company and be used for future related business developments and working capital of the Target Company.

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios calculated pursuant to the Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements under the Listing Rules.

FORMATION OF A JV COMPANY

On 16 July 2012, Novo Development, Tianjin Yida and Qiang Hua entered into the JVA to establish the JV Company for packing, canning and distribution of high quality canned food and beverage products in the PRC. The principal terms of the JVA are set out as below:–

Date

16 July 2012

Parties

- (1) Novo Development Limited, an indirect wholly-owned subsidiary of the Company, as one of the joint venture partners
- (2) 天津億達投資有限公司 (Tianjin Yida Investment Co., LTD*), a company registered in the PRC with limited liability, as one of the joint venture partners
- (3) Qiang Hua Trading Limited, an indirect wholly-owned subsidiary of the Company, as one of the joint venture partners

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

Business scope

The business scope of the JV Company includes, among other things, packing, canning and distribution of high quality canned food and beverage products in the PRC.

Capital structure

The registered capital of the JV Company shall be RMB20,000,000 and total investment of the JV Company shall be RMB40,000,000. The registered capital of the JV Company shall be contributed as to 45% (i.e. RMB9,000,000) by Novo Development, as to 50% (i.e. RMB10,000,000) by Tianjin Yida, and as to 5% (i.e. RMB1,000,000) by Qiang Hua in trust for Novo Development. Accordingly, each of the Group and Tianjin Yida is beneficially interested in 50% in the JV Company. A first right of refusal is provided to the other parties should any one of Novo Development, Tianjin Yida or Qiang Hua wishes to dispose of its equity interest in the JV Company to any third party(ies) in accordance with the terms and conditions of the JVA. The difference between the total investment and the registered capital of the JV Company may be financed by internal resources or bank borrowing.

Consideration

20% of the registered capital shall be paid within 3 months from the date of formation of the JV Company and the remaining 80% shall be paid within two years from the date of formation of the JV Company. The default party who fails to comply with this provision should bear a penalty charge, being calculated at 0.02% per day on any unpaid portion of the contribution.

The total commitment of the Group (i.e. RMB10,000,000) will be funded by internal resources.

Board Composition

The board of directors of the JV Company will have 5 members, in which each of the Group and Tianjin Yida can nominate 3 and 2 directors respectively in the board of directors of the JV Company. The legal representative and chairman of the board of JV Company will be nominated by Tianjin Yida. As the Group has control over the board of directors and 50% of the equity interest of the JV Company, the JV Company shall remain accounted for as a subsidiary of the Company.

REASONS FOR AND BENEFIT OF THE FORMATION OF THE JOINT VENTURE

With the growth in high quality processed food and beverage demand in China, there is an increasing gap in domestic production and supply of high end tinplate products for food and beverage packaging industry. The JV Company would focus on the food and beverage packaging industry value chain and engaging in, among other things, packing, canning and distribution of high quality canned food and beverage products in the PRC. The management of the Company believes that the joint venture arrangement would facilitate the Group's extension into new areas of food and beverage packaging, canning and distribution industries in relation to canned products with high food processing techniques and strengthening investment. Through the formation of the JV Company and the cooperation with the JV Partner Group, which experienced in manufacturing and distribution of food and beverages, tinplate printing, coating, can making and food packaging. The Group may enhance its participation in the food industry market in the PRC by benefiting from high calibre technicians and development of the JV Partner Group while its strong network may facilitate the Group's product distribution.

The Directors, including the independent non-executive Directors, consider that the formation of the JV Company 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.

CONDITION

The JVA is conditional upon compliance to all applicable regulations in Hong Kong and/or Singapore and approval having been obtained from the relevant PRC government authorities.

INFORMATION ON THE GROUP, NOVO DEVELOPMENT AND QIANG HUA

The Group is principally engaging in trading and distribution of steel products and related raw materials and has expanded its business to steel processing in the PRC via one of its indirect non wholly-owned subsidiary of the Company to manufacture high quality tinplates for food and beverage packaging.

Novo Development is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. Its principal activities are trading and investment.

Qiang Hua is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. Its principal activities are trading and investment.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“Agreement”	a legally binding sale and purchase agreement dated 16 July 2012 entered into between Novo Development, Tianjin Yida and Qiang Hua in relation to the Equity Transfers
“Board”	the board of Directors of the Company
“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)
“Directors”	directors of the Company
“Disposal”	the dispose of the Equity Interest 1 by Novo Development to Tianjin Yida pursuant to the Agreement
“Equity Interest 1”	50% of the equity interest in the Target Company, of which 100% is beneficially owned by the Company prior to the completion of the Equity Transfers, to be sold to Tianjin Yida pursuant to the Agreement
“Equity Interest 2”	5% of the equity interest in the Target Company, of which 100% is beneficially owned by the Company prior to the completion of the Equity Transfers, to be sold to Qiang Hua pursuant to the Agreement, which is held in trust for Novo Development by Qiang Hua
“Equity Transfers”	(i) the dispose of the Equity Interest 1 to Tianjin Yida; and (ii) the transfer of the Equity Interest 2 to Qiang Hua
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JVA”	a legally binding joint venture agreement entered into between Novo Development, Tianjin Yida and Qiang Hua on 16 July 2012

“JV Company”	the joint venture company to be formed in the PRC under the JVA for packing, canning and distribution of high quality canned food and beverage products in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novo Development”	Novo Development Limited (新源鋼鐵發展有限公司), a company incorporated in Hong Kong and an indirect 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 Macau Special Administrative Region of the PRC)
“Qiang Hua”	Qiang Hua Trading Limited (強華貿易有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	新源鋼鐵發展(天津)有限公司 (Novo Development (Tianjin) Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Tianjin Yida”	天津億達投資有限公司 (Tianjin Yida Investment Co., LTD*), a company registered in the PRC with limited liability
“US\$”	United States Dollar
“%”	per cent

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

Hong Kong, 16 July 2012

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*