

NOVA MSC BERHAD (“NOVAMSC” OR THE “COMPANY”)

PROPOSED PLACEMENT OF NEW ORDINARY SHARES IN NOVAMSC (“SHARES” OR “NOVAMSC SHARES”) (“PLACEMENT SHARES”) OF UP TO 10% OF NOVAMSC’S ISSUED SHARES (“PROPOSED PLACEMENT”)

1. INTRODUCTION

On behalf of the Board of Directors of NovaMSC (“**Board**”), Mercury Securities Sdn Bhd (“**Mercury Securities**”) wishes to announce that the Company proposed to undertake the Proposed Placement.

The Proposed Placement will be undertaken pursuant to the shareholders’ mandate for the issuance of Shares under Sections 75 and 76 of the Companies Act, 2016 (“**Act**”) obtained at the Company’s 21st Annual General Meeting held on 6 September 2023 (“**General Mandate**”). The authority under the General Mandate is expected to continue to be in force until the conclusion of the next annual general meeting of the Company.

Further details on the Proposed Placement are set out in the following sections.

2. DETAILS OF THE PROPOSED PLACEMENT

2.1 Size of the Proposed Placement

As at 5 October 2023, being the latest practicable date prior to this announcement (“**LPD**”), the Company has:

- (i) an issued share capital of RM115,566,466 comprising 1,192,647,250 Shares;
- (ii) 964,144,076 outstanding irredeemable convertible preference shares (“**ICPS**”); and
- (iii) an employees’ share option scheme (“**ESOS**”) of up to 30% of the issued share capital of the Company at any point in time, which will expire on 17 November 2025. As at the LPD, there are a total of 23,800,000 outstanding ESOS options offered which have yet to be exercised and is able to grant another 326,044,154 ESOS options.

Assuming all the 964,144,076 ICPS are converted and all the 349,844,154 ESOS options have been granted and exercised, the Company’s resultant issued share capital will be 2,506,635,480 Shares. Accordingly, the Proposed Placement entails the issuance of up to 250,663,548 Placement Shares, representing up to 10% of the Company’s issued share capital.

The actual number of Placement Shares to be issued pursuant to the Proposed Placement will depend on the total number of issued Shares of the Company (excluding treasury shares, if any) on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Placement as set out in **Section 6** of this announcement, where applicable.

For illustrative purposes, throughout this announcement, the effects of the Proposed Placement shall be based on the following 2 scenarios:

Minimum Scenario : Assuming none of the ICPS and ESOS options are converted/granted and exercised prior to the Proposed Placement

Maximum Scenario : Assuming all of the ICPS and ESOS options are converted/granted and exercised prior to the Proposed Placement

2.2 Pricing of the Placement Shares

The Board will determine and announce the issue price of the Placement Shares ("**Issue Price**") at a later date ("**Price Fixing Date**") after receipt of all relevant approvals for the Proposed Placement.

In determining the Issue Price, the Board will take into consideration the following:

- (i) prevailing market conditions; and
- (ii) provisions of Rule 6.05(a) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") which stipulates that the Issue Price shall not be priced at more than 10% discount to the weighted average market price ("**VWAP**") of the Shares for the 5 market days immediately before the Price Fixing Date.

For illustrative purposes, the Issue Price based on the maximum discount of 10% based on the 5-day VWAP of the Shares up to and including the LPD of RM0.105 (Source: Bloomberg), the indicative Issue Price will be RM0.095 per Placement Share, representing a discount of approximately 9.5% to the 5-day VWAP of the Shares.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, of which the entitlement date is prior to the date of allotment and issuance of the Placement Shares.

2.4 Listing of and Quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities

2.5 Placement arrangement

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

In accordance with Rule 6.05(c) of the Listing Requirements, the Placement Shares will not be placed out to the following parties:

- (i) the Directors, major shareholders or chief executive of NovaMSC or a holding company of NovaMSC, where applicable ("**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to the prevailing market conditions and timing of identification of placees, the Proposed Placement may be implemented in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the Proposed Placement or any extended period as may be approved by Bursa Securities. This will provide the Company with the flexibility to procure interested investors and optimise proceeds to be raised, taking into consideration prevailing market conditions.

2.6 Utilisation of proceeds

Based on the illustrative Issue Price of RM0.095 per Placement Share, NovaMSC expects to raise gross proceeds of up to RM23.8 million from the Proposed Placement, which will be utilised in the following manner:

Purpose	Notes	Minimum	Maximum	Estimated timeframe for utilization of proceeds (from the date of listing of the Placement Shares)
		scenario	scenario	
		RM'000	RM'000	
Product development and enhancement of Next-Gen Healthcare Solution in VESALIUS	(i)	6,000	6,000	Within 15 months
Working capital	(ii)	4,930	17,013	Within 12 months
Estimated expenses in respect of the Proposed Placement	(iii)	400	800	Within 1 month
Total		11,330	23,813	

Notes:

- (i) For information purposes, VESALIUS is a web-based platform that supports hospital administrative, ancillary and clinical functions which allows healthcare groups to implement a centralised system across multiple hospitals. This system facilitates the sharing of critical information, including medical records with access restricted to only user who are authorised.

Currently, the Company is looking into developing and enhancing their software under the name, VESALIUS Application Suite by allowing a group of hospital to establish a centralised operations in line with ensuring that all the patients records are shared within the group of hospitals. VESALIUS Application Suite will also allow for easy integration into the system for newly built or acquired hospitals.

Additionally, in order to improve the Company's revenue stream, the Company plans to expand its digital transformation efforts through Next-Gen Healthcare Solution, extending its reach to private general practitioners, insurance companies, as well as directly to employers and patients.

In view of the above, the Company intends to utilize RM6.0 million of the gross proceeds to defray the estimated costs of development and enhancement of Next-Gen Healthcare Solution in VESALIUS over the next 15 months, which is to be utilized as follows:

Descriptions	Notes	Estimated allocation of proceeds
		RM'000
Development of "GP.net" software	(a)	2,100
Integration with insurance portal	(b)	1,800
Enhancement of VESALIUS.m	(c)	1,200
Strengthening of security and cybersecurity	(d)	900

- (a) The Company has allocated up to RM2.1 million to develop GP.net software (i.e. a software that allows an integrated digital community which comprises of hospitals and referring primary care providers, to communicate effectively). This development streamlines patient care, improving the overall experience while enhances coordination among primary care providers, hospitals and patients. The investment in GP.net software is expected to increase utilization of the company's services and solutions which ultimately improving its financial cash flow through enhanced product offerings and increased customer engagement.

- (b) The Company intends to utilize RM1.8 million to integrate VESALIUS with insurance portals, which will deliver significant operational efficiency for hospitals. This integration can automate data exchange with insurance companies and third-party administrators for validity and coverage checks and approvals, which is now largely done manually. With the integration, the hospitals can expect the waiting times for patient admissions, discharges, and outpatient payments to reduce leading to more efficient operation.
- (c) The Company intends to utilize RM1.2 million to enhance their existing mobile application, VESALIUS.m to include the insurance coverage information and historical consultation visits details, allow for gathering of customer feedback together with ability to respond, promotion of new services and provision of different e-payment options to customers. The enhancements are expected appeal to a large customer base especially customer who would want to have a more sophisticated software to allow for a more seamless and hassle-free healthcare service.
- (d) The Company also allocated RM0.9 million for the strengthening of the security and cybersecurity within their application systems particularly for systems which have transitioned or are transitioning to the cloud platform. As the Company is in the digital industry, this investment in cybersecurity is crucial for safeguarding sensitive data, ensuring compliance with regulatory requirements, and protecting the Company from potential cyber threats and breaches. It helps strengthen the Company's resilience in an increasingly digital and interconnected landscape, preserving trust and reputation among customers and stakeholders while fostering future growth.
- (ii) On 1 August 2023, novaCITYNETS Pte Ltd, a wholly owned subsidiary of NovaMSC was awarded by the Singapore's Land Transport Authority to extend their services on providing professional services to the Operation and Maintenance Services for the Enterprise Registry & Archival with a contract sum of approximately RM7.0 million. As at 30 June 2023, NovaMSC has an order book of approximately RM50.9 million arising from their secured information technology ("IT") contracts.

While the COVID-19 pandemic did impact the Company's earnings in recent years, the easing of restrictions had led to improved performance in the last financial year. Nevertheless, the Company will require some time to fully recover from the lingering effects of the challenging business environment.

The proceeds from the Proposed Placement will be mainly utilized to finance their working capital on their new and on-going projects, including viable projects that may arise in the future. Further breakdown of the proceeds raised from the Proposed Placement for NovaMSC and its subsidiaries ("**Group**") for their working capital are utilized in the following manner:

Utilisation	Minimum scenario	Maximum scenario
	RM'000	RM'000
Operating expenses including third-party project costs (i.e. purchase hardware, system software and related computer products, including network infrastructure equipment) necessary for the Group's ongoing projects as well as staff costs	4,930	13,600
Administrative and operating expenses (i.e. rental of premises, office expenses, utilities, statutory payments, insurance and day-to-day operating expenses)	-	3,413

The detailed breakdown cannot be determined at this juncture as the actual utilisation is subject to, amongst others, the timing and progress of delivery of the secured IT contracts.

- (iii) Includes professional fees, placement fees, fees payable to relevant authorities and other miscellaneous expenses in relation to the Proposed Placement.

The actual proceeds to be raised from the Proposed Placement are dependent on the actual Issue Price and number of Placement Shares successfully placed out to investors. Any excess or shortfall in the allocated proceeds will be adjusted against the amount allocated for working capital of the Group.

Prior to utilisation for the above purposes, the proceeds raised from the Proposed Placement will be placed in interest-bearing deposits and/or short-term money market instruments with licensed financial institutions as the Board deems fit and in NovaMSC's best interest. Any interest income earned from such deposits and/or money market instruments will be used, when available as NovaMSC's working capital as stated in note (ii) above.

3. RATIONALE FOR THE PROPOSED PLACEMENT

The Proposed Placement is undertaken mainly to raise the required funds for the utilisation as set out in **Section 2.6** of this announcement.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Placement is the most appropriate avenue to raise funds premised on the following reasons:

- (i) it will enable NovaMSC to raise the requisite funds without having to incur additional interest expense, as compared to bank borrowings and/or other interest-bearing debt instruments;
- (ii) it will allow NovaMSC to raise funds expeditiously as the General Mandate has been obtained, as opposed to other forms of equity fund raising such as a rights issue which is likely to take a longer time to complete; and
- (iii) it will strengthen the financial position and capital base of NovaMSC and may potentially enhance its liquidity and financial flexibility.

In addition to the rationale for the Proposed Placement, the Board has also considered the following aspects in relation to the Proposed Placement:

(a) Impact and value creation to NovaMSC and its shareholders

As set out in **Section 2.6** of this announcement, the proceeds raised from the Proposed Placement will facilitate the Group in enhancing their existing products as well as to fund their working capital requirements. Through the enhancement of products and services, NovaMSC can remain competitive while meeting evolving customer needs and foster innovation. The proceeds from the Proposed Placement will provide NovaMSC with additional financial resources without relying solely on internally generated funds and/or bank borrowings. The proceeds raised will bolster NovaMSC's financial stability and flexibility.

The Proposed Placement will also strengthen the Group's financial position by enlarging NovaMSC's issued share capital and the Group's shareholders' funds. In addition, the increase in the number of issued Shares pursuant to the Proposed Placement may potentially improve the trading liquidity of NovaMSC Shares.

Notwithstanding the above, existing shareholders' shareholdings in NovaMSC will be diluted in proportion to the actual number of Placement Shares to be issued pursuant to the Proposed Placement. Despite the expected dilution in the consolidated earnings per share ("**EPS**") of NovaMSC, the Proposed Placement is expected to generate long-term benefits to NovaMSC and its shareholders. The Proposed Placement is seen as a quicker way to raise funds from the capital market compared to other fundraising methods like a rights issue. In a rights issue, there's uncertainty about whether NovaMSC can meet its fundraising goals as it depends on subscription rate by the entitled shareholders and/or renounce(s) subscribe to it, unless NovaMSC secure an underwriting arrangement. If NovaMSC did opt for underwriting, it could lead to additional expenses in the form of underwriting fees. Therefore, both the Board and management believe that the Proposed Placement is a more efficient way to raise the necessary funds compared to larger equity fundraising methods like a rights issue at this point in time.

(b) Adequacy in addressing NovaMSC's financial concerns

The Board is of the view that the Proposed Placement is adequate to address the Group's short-term funding requirements for the time being after having considered the utilization of proceeds as set out in **Section 2.6** of this announcement, which in turn would enable the Group to have a larger capital base and stronger financial footing for its existing products and services. The Proposed Placement would allow NovaMSC to continue enhancing or expanding their existing product and services without any interruption nor having to incur additional interest expense to finance its existing operations through bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's financial resources. This will aid NovaMSC in its effort to continuously improve its financial performance and to enhance value to its shareholders.

(c) Steps and actions taken/to be taken to improve NovaMSC's financial conditions

NovaMSC remained focused in operating its existing business of provision of e-business solutions such as a ready-to-deploy application software. As part of its on-going efforts to grow its business, the Group has been undertaking in-house research and development activities in order to constantly innovate and/or enhance the features of its existing e-business solutions.

Throughout the years NovaMSC had been actively expanding their products and services as well as continuously been able to secure numerous projects and contracts with software companies across the world (eg. provision of FORNAX ePlanCheck Software in Nigeria for a 10 year period) as well as the latest extension of 3 years contract with the Singapore's Land Transport Authority for the provision of professional services for service requests.

On August 2018, the Group via its wholly owned subsidiary novaHEALTH Pte Ltd ("**novaHEALTH**") completed the acquisition of 42% equity interest in EyRIS Pte Ltd which is principally involved in managing research and experimental development on medical technologies. In line with Nova's strategy to continuously improve the Smart Healthcare solution offering by novaHEALTH and to allow novaHEALTH to introduce artificial intelligence into the industry, the Proposed Placement is an expedient mean to expand its business organically and/or inorganically to further expand its provision of healthcare range of service offerings.

On May 2020, the Group incorporated a new company called DEX-lab Pte Ltd ("**DEX-lab**") in Singapore to focus on the development and marketing of artificial intelligence ("**AI**") related products and services. Through DEX-lab, the Group is able to focus on developing and marketing their AI-related products and services.

As set out in **Section 2.6** of this announcement, NovaMSC incorporated plans to improve their existing software to ensure the latest development and demand on the market is catered. Barring any unforeseen circumstances, the Board is of the view that the Proposed Placement and the abovementioned steps may improve the Group's financial performance moving forward. Nevertheless, the Board will continue to evaluate the Group's financial performance, and will continue to focus on their project delivery to improve their revenue growth, while concurrently refining operational efficiency.

4. INDUSTRY OVERVIEW AND PROSPECT

4.1 Overview and outlook of the Asia Pacific Economy

The Asia and Pacific region appear to be navigating a dynamic economic landscape amidst global changes. Despite the somber backdrop of rising interest rates, geopolitical tensions like Russia's war in Ukraine, and persistently high inflation, the region exhibits resilience. Robust domestic demand remains a notable strength, suggesting that internal consumption can sustain growth even with monetary tightening measures in place. However, there are concerns about weakening external demand for the region's exports, particularly in technology products. With the reopening of China's economy, it is expected to inject fresh momentum, particularly through increased demand for consumption goods. While some emerging economies in the region may experience a slight growth slowdown compared to the previous year, they are still on track for solid growth. It's crucial to note that the region is not immune to global economic uncertainties, such as banking strains in the United States and Europe, which could add complexity to its economic outlook. Overall, the Asia and Pacific region is forecasted to contribute significantly to global growth this year, with an anticipated expansion rate of 4.6%, up from 3.8% the previous year, reflecting its continued importance in the world economy.

(Source: Regional Economic Outlook (Asia and Pacific) May 2023 by the International Monetary Fund)

4.2 Overview and outlook of the Malaysia economy

The Malaysian economy experience a slightly weaker growth in the 2nd quarter of 2023 by 2.9% on a year-to-year basis compared to the previous quarter (Q1 2023:5.6%) as a result of decreased in external demand during the 1st half of 2023, largely attributed by the slower economic momentum in China (i.e. China being Malaysia's largest export market). However, domestic demand, fueled by private consumption and investment, remained a strong driver of the economic growth. With the increment in employment and wage, an increase in household spending can also be seen, while investment activities were boosted by capacity expansion, ongoing projects as well as increased government spending on fixed assets. The continued recovery in the tourism sector in Malaysia partially offset slower goods export growth.

On the supply side, the services and construction sectors continued to contribute positively to the economy growth. In contrast, the agriculture and mining sectors faced challenges due to hot weather and maintenance activities. Aside on that, with the slower global economic outlook, a sluggish rebound in China's economy, lower commodity prices and weakened global semiconductor demand negatively impacted domestic financial markets leading to a depreciate in the Malaysian ringgit by 5.8%. On a seasonally-adjusted basis, the economy grew by 1.5% in the 2nd quarter (Q1 2023: 0.9%).

The headline inflation for 2nd quarter of 2023 moderate to 2.8% (Q1 2023: 3.6%). This moderation was observed in both the core and non-core inflation, where the decline in core inflation is contributed by selected services like food away from home, telephone services, and personal transport repair and maintenance while the decrease in non-core inflation is attributed by the decline in fresh food and fuel prices. Overall, the Malaysian economy experienced moderate growth in the second quarter of 2023, driven by domestic demand, while inflation moderated during the same period. The Malaysian's economy is expected to remain moderate considering the soft demand on the exports due to reduced spending in other countries as well as the depreciation in ringgit. However, the growth will be supported by domestic demand, implementation of multi-year projects by the government as well as the tourism related activities.

(Source: Regional Economic and Financial Developments in Malaysia in the Second Quarter of 2023, Bank Negara Malaysia)

4.3 Overview and outlook of the Singapore economy

The economy performance of Singapore in the 2nd quarter of 2023 grew by 0.5% on a year-to-year basis as compared to the previous year's quarter (Q2 2022: 0.4%) showing a feeble expansion on the growth rate. The soft economic growth is attributed by the declining manufacturing output where there is a lesser demand on the export markets for manufacturers.

The manufacturing sector declined by 7.3% in the 2nd quarter of 2023, surpassing the 5.4% decline observed in the 1st quarter of 2023. This decline is due to both the anticipated slowdown in Singapore's major export markets and the extended global electronics downturn. The finance and insurance sector is also anticipated to experience sluggish growth due to external economic weakness and tight financial conditions with a decline by 1.7% in this quarter (Q1 2023: 1.1%). The government also highlighted that the ongoing downside risks in the global economy, emphasizing the possibility of persistent inflation in advanced economies, potentially causing tighter global financial conditions, decreases confidence among consumers and businesses, and reflect negative impacts on global trade which eventually reduced global spending.

However, Singapore's aviation and tourism outlook remains positive due to the ongoing resurgence of international air travel and inbound tourism. Additionally, consumer-facing industries like retail trade and food & beverage services are expected to maintain expansion due to robust labor market conditions and the rebound in inbound tourism.

In the near-term, the outlook of Singapore is expected to remain constrained by weak demand in several important export markets for manufactures, notably the US and European Union (EU), with the pace of recovery in China is also weak. The service sector economy is expected to be more resilient, boosted by the continued recovery of international tourism travel in the APAC region.

(Source: Press Release on the Performance of the Singapore Economy in 2Q 2023 dated 11 August 2023 by the Ministry of Trade and Industry Singapore)

4.4 Overview and outlook of the Digital IT Software and Services Industry in Asia Pacific and Singapore

According to the latest data released by International Data Corporation's Worldwide Black Book: Live Edition, despite mixed economy signals, the IT spending for Asia Pacific is projected to grow by 4.4% in 2023, up from 3.8% in 2022. With the reopening of China in the 4th quarter of 2022, it brightens the outlook for the region and the global economy, where China contributes to 51% of the overall market. With the technological transformation slowly picking up, it is foreseen that the outlook for the digital industry in Asia Pacific region remains positive.

(Source: Asia/Pacific IT Spending Expected to Grow by 4.4% in 2023, Despite Mixed Economy Signals, Says IDC dated 26 June 2023 by International Data Corporation)*

Additionally, the spending on technology goods from the Singaporean government and business is expected to increase by 4.6% in 2023 to SGD22.2 billion. The digital sector will be the highest growth area in 2023, with an expected spending of SGD7.0 billion. The growth in Singapore's technology spending started at the end of 2022. Further, through Singapore's Budget 2023, the government also introduces the Enterprise Innovation Scheme. Through this scheme, the government provides enhancement of tax deduction in the five key activities in Singapore i.e. R&D conducted in Singapore, registration of intellectual property, acquisition and licensing of intellectual property rights, innovation carried out with polytechnics and Institution of Technical Education, and training via courses approved by SkillsFuture Singapore and align to the Skills Framework.

With the inclusion of the incentive for the digitalising businesses in Singapore's Budget 2023, the government of Singapore has a clear indication of their commitment to expand the digitalising businesses as well as to thrive the Singapore's digital economy. With the Singaporean government's initiatives and support, the future outlook of the digital economy is seen to be promising in Singapore.

(Source: Tech spending in Singapore to jump 4.6% in 2023 to \$22.17b dated May 2023 and LIVE UPDATES: Singapore Budget 2023 dated February 2023 by the Singapore Business Review)

4.5 Prospects of the NovaMSC Group

NovaMSC has embraced a transformative growth strategy, focusing on four key pillars: Healthcare, E-Government, Artificial Intelligence, and Robotics. NovaMSC's software product encompasses Pavo, an e-Government software designed to streamline the online submission of application documents; Fornax, a software system dedicated to electronic plan check procedures, automating the verification and approval processes for building plans; Avicenna, a fully integrated cloud-based system that comprehensively addresses administrative requirements; and Vesalius, a web-based platform that supports the administrative and clinical function within a hospital,

Furthermore, Dex-lab Pte Ltd, a subsidiary of NovaMSC, has achieved a significant milestone by creating DEXIE (another NovaMSC's software product), a highly advanced human-looking social robot tailored for the eldercare sector in Singapore. DEXIE is the result of merging cutting-edge hardware and software, delivering a unique and positive interactive experience for seniors, particularly those suffering from dementia. This innovative solution has already gained traction, with successful deployments in multiple nursing homes across Singapore. The integration of DEXIE has not only improved the quality of care but has also streamlined operational processes, ultimately enhancing productivity and efficiency within these nursing homes.

Additionally, EyScan, an intelligent deep learning system that performs automated retinal photo analysis, which was developed under EyRIS Pte Ltd ("**EyRIS**"), a subsidiary of NovaMSC, has made remarkable progress with its AI-driven SELENA+ system, designed for the early detection of eye diseases such as diabetic retinopathy, glaucoma, and age-related macular degeneration.

EyRIS is set to embark on a groundbreaking study in collaboration with Optometrist Warehouse, a division of the Chemist Warehouse Group in Australia. This study will focus on evaluating the effectiveness of Artificial Intelligence ("**AI**") in screening diabetic retinopathy in the Australian context. As EyRIS continues to make strides in leveraging AI for healthcare, this partnership signifies a significant step forward in addressing critical eye health concerns through cutting-edge technology.

The Company entered into a joint venture and shareholders' agreement with Theta Edge Berhad on 5 September 2023 to identify and procure future e-government solution projects. Through this collaboration, both companies will jointly provide e-Government solutions and applied AI solutions in Malaysia and/or other countries determined by the Group and Theta Edge Berhad. The joint venture aims to address key challenges faced by government agencies and businesses alike, paving the way for a seamless transition to a modern and technologically advanced ecosystem. The primary focus will be on providing AI based services such as "Building Information Modeling" which automate the building plan and design validation which is used by local councils to validate building plans submitted to these councils.

Through the above-mentioned activities, the Group has been intensifying their efforts to drive sales and expand their market presence. They are also committed in diligently evaluating their operational framework and procedures, aiming to identify opportunities for cost reduction and efficiency enhancement. Through streamlining operations, eliminating redundancies, and harnessing cutting-edge technologies, they seek substantial cost savings without compromising on quality or customer satisfaction.

Furthermore, in line with the utilization of proceeds in **Section 2.6** of this announcement, NovaMSC is actively dedicated to enhance its existing software, ensuring that its products remain highly competitive in the market. With the positive outlook of the digital IT software and services industry as set out in **Section 4.4** of this announcement and the continuous effort by NovaMSC in seeking for opportunities to market and promote their products, NovaMSC's outlook remains positive and favorable and the Proposed Placement is expected to create value for the future earnings of the Group.

(Source: Management of NovaMSC)

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5. EFFECTS OF THE PROPOSED PLACEMENT

5.1 Share Capital

The pro forma effects of the Proposed Placement on NovaMSC's issued share capital are as follows:

	Minimum scenario		Maximum scenario	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Issued share capital as at LPD	1,192,647	115,566	1,192,647	115,566
To be issued pursuant to the full exercise of ESOS options	-	-	349,844	⁽ⁱ⁾ 32,811
Transfer from share option reserve upon full exercise of ESOS options	-	-	-	1,570
To be issued pursuant to full conversion of the ICPS	-	-	964,144	⁽ⁱⁱ⁾ 38,566
	<u>1,192,647</u>	<u>115,566</u>	<u>2,506,635</u>	<u>188,513</u>
To be issued pursuant to the Proposed Placement	119,265	11,330	250,664	23,813
Enlarged issued share capital	<u>1,311,912</u>	<u>126,896</u>	<u>2,757,299</u>	<u>212,326</u>

Note:

(i) Assuming all ESOS options are exercised prior to the LPD as follows:

<u>No. of ESOS options</u>	<u>Exercise Price (RM)</u>	<u>RM</u>
ESOS options granted and unexercised: 3,500,000	0.0728	254,800
ESOS options granted and unexercised: 16,000,000	0.0656	1,049,600
ESOS options granted and unexercised: 4,300,000	0.1238	532,340
Remaining ESOS options which may be granted: 326,044,154	^(a) 0.0950	30,974,195
Total		<u>32,810,935</u>

Note:

(a) For illustrative purposes, the indicative exercise price of RM0.095 is based on the maximum discount of 10% to the 5-day VWAP of NovaMSC Shares up to and including the LPD of RM0.105.

(ii) Assuming the ICPS can be converted by surrendering for cancellation the ICPS with an aggregate value equivalent to the conversion price of RM0.04 ("Conversion Price") or by surrendering for cancellation such number of ICPS with an aggregate value below the Conversion Price, subject to a minimum of 1 ICPS, and paying the difference between the value of ICPS surrendered and the Conversion Price in cash, for every 1 NovaMSC Shares.

Under the Maximum Scenario, the full conversion of 964,144,076 ICPS into NovaMSC Shares is assumed to be a combination of surrendering 1 ICPS and paying the difference of RM0.03 between the value of ICPS surrendered (RM0.01) and the Conversion Price in cash.

5.2 Substantial shareholder's shareholding

The pro forma effects of the Proposed Placement on NovaMSC's substantial shareholders' shareholdings as at the LPD are as follows:

(i) Minimum scenario

	As at the LPD				After the Proposed Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ooi Keng Thye	191,747,800	16.1	-	-	191,747,800	14.6	-	-

(ii) Maximum scenario

	As at the LPD				Assuming full conversion of the ICPS and full exercise of the ESOS options				After the Proposed Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ooi Keng Thye	191,747,800	16.1	-	-	191,747,800	7.6	-	-	191,747,800	7.0	-	-

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5.3 Net assets (“NA”), NA per Share and Gearing

Based on NovaMSC’s audited consolidated financial statements as at 31 March 2023 and assuming the Proposed Placement has been completed as at that date, the pro forma effects of the Proposed Placement on the NA, NA per Share and gearing of the Group are as follows:

(i) Minimum scenario

	Audited as at 31 Mar 2023	After the Proposed Placement
	RM’000	RM’000
Share capital	115,371	^(a) 126,701
Share option reserves	1,570	1,570
Accumulated losses	(90,205)	^(b) (90,605)
Foreign currency translation reserve	11,047	11,047
Shareholders equity/NA	37,783	48,713
Non-controlling interest	6	6
Total equity	37,789	48,719
No. of Shares in issue (‘000)	1,192,647	1,311,912
NA per Share (RM)	0.03	0.04
Total borrowings	7,629	7,629
Gearing ratio (times)	0.20	0.16

Notes:

(a) Assuming the Placement Share are issued at the illustrative Issue Price of RM0.095.

(b) After adjusting for the estimated expenses relating to the Proposed Placement of approximately RM0.4 million.

(ii) Maximum scenario

	Audited as at 31 Mar 2023	(I) Assuming full conversion of the ICPS and full exercise of the ESOS options	(II) After (I) and the Proposed Placement
	RM’000	RM’000	RM’000
Share capital	115,371	^(a) 188,319	^(b) 212,132
Share option reserves	1,570	-	-
Accumulated losses	(90,205)	(90,205)	^(c) (91,005)
Foreign currency translation reserve	11,047	11,047	11,047
Shareholders equity/NA	37,783	109,161	132,174
Non-controlling interest	6	6	6
Total equity	37,789	109,167	132,180

	(I)	(II)
	Assuming full conversion of the ICPS and full exercise of the ESOS options	After (I) and the Proposed Placement
	Audited as at 31 Mar 2023	
	RM'000	RM'000
No. of Shares in issue ('000)	1,192,647	2,757,299
NA per Share (RM)	0.03	0.05
Total borrowings	7,629	7,629
Gearing ratio (times)	0.20	0.06

Notes:

- (a) Assuming full conversion of 964,144,076 ICPS into NovaMSC Shares by a combination of surrendering 1 ICPS and paying the difference of RM0.03 between the value of ICPS surrendered (RM0.01) and the Conversion Price in cash and full exercise of all ESOS options as set out in **Section 5.1** of this announcement.
- (b) Assuming the Placement Shares are issued at the illustrative Issue Price of RM0.095.
- (c) After adjusting for the estimated expenses relating to the Proposed Placement of approximately RM0.8 million.

5.4 Earnings per Share

The Placement Shares to be issued pursuant to the Proposed Placement will result in a dilution in the Group's EPS due to the increase in the number of Shares in issue upon completion of the Proposed Placement.

Nevertheless, the utilisation of the proceeds to be raised from the Proposed Placement as set out in **Section 2.6** of this announcement is expected to contribute positively to its future financial performance.

5.5 Convertibles securities

Save for the 964,144,076 ICPS and 23,800,000 outstanding ESOS options, NovaMSC does not have any outstanding convertible securities as at the LPD.

6. APPROVALS REQUIRED

The Proposed Placement is subject to approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities; and
- (ii) any other relevant authorities, if required.

As set out in Section 1 of this announcement, NovaMSC had obtained the General Mandate from its shareholders to facilitate the implementation of the Proposed Placement.

Accordingly, the Board is authorised to undertake the issuance of Placement Shares pursuant to the General Mandate. Such authority shall continue to be in force until the conclusion of NovaMSC's next annual general meeting.

The Proposed Placement is not conditional upon any other corporate proposal undertaken or to be undertaken by NovaMSC.

7. FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save for the Proposed Placement, there were no fund-raising exercises undertaken by NovaMSC in the past 12 months prior to the date of this announcement.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders, chief executive of NovaMSC and/or persons connected with them have any interest, direct or indirect, in the Proposed Placement.

9. DIRECTOR'S STATEMENT

The Board, having considered all aspects of the Proposed Placement, including the rationale, justification, utilisation of proceeds and effects of the Proposed Placement, is of the opinion that the Proposed Placement is in the best interest of the Company.

10. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposed Placement, there are no other corporate exercises which has been announced but yet to be completed as at the LPD.

11. ESTIMATED TIMEFRAME FOR COMPLETION

An application in relation to the Proposed Placement will be submitted to Bursa Securities within 1 month from the date of this announcement.

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Placement is expected to be completed by the 1st quarter of 2024.

12. PRINCIPAL ADVISER AND PLACEMENT AGENT

Mercury Securities has been appointed as the Principal Adviser and Placement Agent for the Proposed Placement.

This announcement is dated 6 October 2023.

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the Group's historical financial performance over the past 3 financial years up to the financial year ended ("FYE") 31 March 2023 and the latest unaudited results for the 3-month financial period ended ("FPE") 30 June 2023:

	Audited			Unaudited	
	FYE 31 Mar 2021	FYE 31 Mar 2022	FYE 31 Mar 2023	3-month FPE 30 Jun 2022	3-month FPE 30 Jun 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	31,696	22,822	27,068	8,362	7,437
Loss before tax ("LBT")	(10,714)	(20,881)	(13,745)	(1,986)	(1,983)
Loss after tax ("LAT")	(10,743)	(20,943)	(13,763)	(1,993)	(1,983)
NA	67,650	48,036	37,789	37,789	35,419
Borrowings	8,167	10,444	10,081	10,061	10,080
Current assets	53,097	35,314	24,786	24,786	20,789
Current liabilities	18,747	22,398	25,501	25,501	25,425
Basic loss per Share (sen)	(1.01)	(1.75)	(1.04)	(0.13)	(0.16)
NA per Share (RM)	5.75	4.16	3.89	0.03	0.03
Current ratio (times)	2.83	1.58	0.97	0.97	0.82
Gearing ratio (times)	0.12	0.22	0.27	0.27	0.28

FYE 31 March 2021 vs FYE 31 March 2022

During FYE 31 March 2022, the Group recorded a decline in revenue by RM8.9 million or 28.0% as compared to FYE 31 March 2021. This decline in revenue was primarily attributable to delays in project acceptance, reduced revenue recognition due to cost overruns on certain project deliverables, and a decrease in sales orders. These challenges were largely a result of the ongoing COVID-19 pandemic, which had been affecting the business environment since early 2020.

In line with the lower revenue, this had resulted the Group to record a LBT of RM20.9 million in FYE 31 March 2022 compared to the previous year (2021: RM10.7 million). In response to this situation, the Group took proactive measures aimed at mitigating the downside risks and strengthen the core expertise to drive a recovery going forward.

FYE 31 March 2022 vs FYE 31 March 2023

During FYE 31 March 2023, the Group's revenue increased by RM4.2 million or 18.6% as compared to FYE 31 March 2022. The increase in revenue was mainly due to the easing of Covid-19 restrictions in 2022 which enabled the Group to operate more efficiently to achieve higher project milestones, thereby improving their top line.

As the Group's revenue improve, the Group's LBT managed to narrow down to RM13.7 million, as compared to the previous year (2022: RM20.9 million). The lower LBT is mainly due to the economies of scale where the Group managed to identify areas of cost rationalization and efficiency improvement.

FINANCIAL INFORMATION OF THE GROUP *(cont'd)*

3-month FPE 30 June 2022vs 3-month FPE 30 June 2023

During 3-month FPE 30 June 2023, the Group recorded a lower revenue by RM0.9 million or 11.1% as compared to 3-month FPE 30 June 2022. The Group had commenced the commercial sales of our innovative social robot, DEXIE, to several nursing homes in Singapore although the current quarter revenue was affected by a lower project milestone achieved from the Group's existing order books.

The Group maintained its LBT at RM2.0 million from its continued operations during the 3-month FPE 30 June 2023 as well as for the 3-month FPE 30 June 2022. This was attributed to decreased staff costs and favorable exchange gain, though partly offset by an increase in material costs, amortization and other operational expenses.

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