

NOVA MSC BERHAD ("NOVAMSC" OR THE "COMPANY")

PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE OPTION SCHEME OF UP TO 30% OF THE ISSUED AND PAID-UP SHARE CAPITAL (EXCLUDING TREASURY SHARES, IF ANY) OF NOVAMSC

1. INTRODUCTION

On behalf of the Board of Directors of NOVAMSC ("**Board**"), RHB Investment Bank Berhad ("**RHBIB**") wishes to announce that the Company proposes to establish a new employees' share option scheme of up to thirty percent (30%) of the issued and paid-up share capital (excluding treasury shares, if any) of the Company at any one time over the duration of the scheme for the eligible Directors and employees of NOVAMSC and its subsidiary companies ("**NOVAMSC Group**") (excluding subsidiaries which are dormant) ("**Proposed New ESOS**").

On 31 October 2005, the Company had implemented an employee share option scheme of not exceeding an aggregate of thirty percent (30%) of its total issued and paid-up share capital, which is in force for a period of ten (10) years, subject to a maximum entitlement of fifteen per cent (15%) for the first five (5) years ("**Existing ESOS**"). Upon the expiry of the Existing ESOS on 30 October 2015, the Company proposes to undertake the Proposed New ESOS.

2. DETAILS OF THE PROPOSED NEW ESOS

2.1 Proposed New ESOS

Upon expiry of the Existing ESOS on 30 October 2015, the Company is proposing to establish and implement the Proposed New ESOS which will involve the granting of options to subscribe for new ordinary shares of RM0.10 each in NOVAMSC ("**Share(s)**") at a pre-determined price ("**ESOS Option(s)**" or "**Option(s)**"), in accordance with the by-laws governing the Proposed New ESOS ("**By-Laws**").

The Options shall be offered to the Directors and employees of NOVAMSC Group (excluding subsidiaries which are dormant) who meet the eligibility criteria for participation in the Proposed New ESOS ("**Eligible Person(s)**") as set out **Section 2.2(iii)** of this Announcement.

The Proposed New ESOS will be administered in accordance with the By-Laws by a committee to be duly appointed and authorised by the Board ("**Option Committee**").

2.2 Salient terms of the By-Laws

The salient terms of the By-Laws are set out below:

(i) **Maximum number of new Shares available under the Proposed New ESOS**

The maximum number of new Shares which may be made available under the Proposed New ESOS shall not exceed in aggregate thirty percent (30%) of the total issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time in the duration of the Proposed New ESOS when a written offer is made by the Option Committee to a Selected Person (defined herein) in the manner provided under the By-Laws ("**Offer**"). The Company will for the duration of the Proposed New ESOS keep available sufficient number of new Shares in the authorised share capital of the Company to satisfy all outstanding Options which may be exercisable from time to time.

Notwithstanding the above or any other provision in the By-Laws, in the event the maximum number of new Shares comprised in the Options granted under the Proposed New ESOS exceeds the aggregate of thirty percent (30%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) as a result of the Company purchasing its own Shares in accordance with the provisions of Section 67A of the Companies Act, 1965 (“Act”) or any other corporate proposal and thereby diminishing its issued and paid-up share capital, then such Options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid and exercisable in accordance with the provisions of the Proposed New ESOS. However in such a situation, the Company shall not make any more new Offer(s) until the total number of Shares under the outstanding Options, including Shares that have been issued under the Proposed New ESOS, falls below thirty percent (30%) of the Company’s issued and paid-up share capital (excluding treasury shares, if any) at any one time.

(ii) Basis of allotment and maximum allowable allocation of Options

Subject to any adjustments which may be made under the By-Laws, the aggregate maximum number of Options to be offered to an Eligible Person whom an Offer is made pursuant to the By-Laws (“Selected Person”) shall be determined by the Option Committee at its sole and absolute discretion, after taking into consideration, amongst others, the Selected Person’s performance, seniority (denoted by employee job grade), number of years in service, the Selected Person’s potential for future development and contribution to the success and development of NOVAMSC Group (excluding subsidiaries which are dormant) and such other factors that the Option Committee may deem relevant, subject to the following:

- (a) that the total number of new Shares to be made available under the Proposed New ESOS shall not exceed in aggregate the amount stipulated in Section 2.2(i) above;
- (b) that not more than 70% of the total number of Shares to be issued pursuant to the Proposed New ESOS would be allocated, in aggregate, to the Eligible Directors and senior management who are Eligible Persons;
- (c) not more than ten percent (10%) of the new Shares available under the Proposed New ESOS at any point in time when an Offer is made are allocated to any Selected Person, who either singly or collectively through persons connected (as defined in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”)) (“Persons Connected”) with him, holds twenty per centum (20%) or more of the issued and paid-up share capital (excluding treasury shares, if any) of the Company; and
- (d) no Directors and employees shall participate in the deliberation or discussion of the number of Options to be offered to them under the Proposed New ESOS,

provided always that is in accordance with the Listing Requirements, any prevailing guidelines, rules, regulations or requirements issued by Bursa Securities or any relevant authority, as amended from time to time.

For the avoidance of doubt, the Option Committee shall have sole and absolute discretion in determining whether the Shares available for vesting under the Proposed New ESOS are to be offered to the Eligible Persons via:

- (a) one single grant at a time determined by the Option Committee; or
- (b) several grants where the vesting of Options is staggered or made in several tranches at such times and on terms determined by the Option Committee.

In the event the Option Committee decides that the vesting of Options is to be staggered, the number of Options to be offered pursuant to each vesting of Options and the timing for the vesting of the same shall be decided by the Option Committee at its sole and absolute discretion and each vesting of Options shall be separate and independent from the others.

There are no performance targets which are required to be met before the Options can be granted and/or exercised by an Eligible Person who has accepted the Offer or any part thereof of an Option ("**Grantee**"), unless stated in a written offer made by the Option Committee from time to time in the manner indicated in the By-Laws.

(iii) Eligibility

Any employee or Director of NOVAMSC Group (excluding subsidiaries which are dormant) who meets the following criteria as at the date on which an Offer is made by the Option Committee to an Eligible Person to participate in the Proposed New ESOS ("**Date of Offer**") shall be eligible for consideration by the Option Committee to participate in the Proposed New ESOS:

- (a) such employee or Director has attained the age of eighteen (18) years on the Date of Offer and is not an undischarged bankrupt; and
- (b) such employee (including Executive Director):
 - (i) is employed on a full time basis on the payroll of a company within the NOVAMSC Group (excluding subsidiaries which are dormant) and has been in the employment of the NOVAMSC Group (excluding subsidiaries which are dormant) for a period of at least three (3) months of continuous service prior to and up to the Date of Offer and his employment must have been confirmed in writing on or prior to the Date of Offer; or
 - (ii) is a contract worker on a full time basis serving under a contract of employment. For such contract workers, the contract of employment should be for a duration of at least one (1) year, unless otherwise decided by the Option Committee in its absolute discretion; and
- (c) if the employee is employed by a company which is acquired, and becomes a subsidiary of the Company (as defined in Section 5 of the Act but excludes dormant subsidiaries) ("**Subsidiary**") upon such acquisition during the Duration of the Scheme, the Employee must have completed service for a continuous period of at least three (3) months in that Subsidiary following the date that such company becomes or is deemed to be a Subsidiary of the NOVAMSC Group;

- (d) if he fulfils any other criteria and/or falls within such category that the Option Committee may from time to time in its absolute discretion determine.

Provided that nothing shall invalidate any selection of any Eligible Person which may have been made by the Board prior to the Effective Date (as defined below) of the Proposed New ESOS. For the avoidance of doubt, the Option Committee may determine any other eligibility criteria and/or waive any of the conditions of the eligibility as set out above, for the purposes of selecting an Eligible Person at any time and from time to time, in the Option Committee's discretion and the decision of the Option Committee shall be final and binding.

Eligibility under the Proposed New ESOS does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the Proposed New ESOS and an Eligible Person does not have any rights to acquire or have any rights over or in connection with the new Shares to be allotted pursuant to the Proposed New ESOS unless an Offer has been made by the Option Committee pursuant to the By-Laws to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the provisions of the By-Laws.

No Offers may be granted to any person who is a Director, major shareholder, chief executive officer of the Company, or a person connected with a Director, major shareholder or chief executive officer of the Company, unless specific grant of that Offer to that person shall have previously been approved by the shareholders of the Company in a general meeting, provided always that the Director, major shareholder, chief executive officer of the Company, or a Person Connected with them shall not have voted on the resolution approving their respective allocations.

(iv) Duration of the Proposed New ESOS

The Proposed New ESOS shall take effect, being the date on which the last of the following approvals and/or conditions have been obtained and/or complied with ("Effective Date") and shall be in force for a period of ten (10) years from the Effective Date, which shall be the date of full compliance with all relevant requirements including the following:-

- (a) submission of the final copy of the By-Laws of the Proposed New ESOS to Bursa Securities in accordance with Rule 6.43 of the Listing Requirements;
- (b) receipt of approval or approval in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of Options granted under the Proposed New ESOS;
- (c) procurement of shareholders' approval for the Proposed New ESOS;
- (d) receipt of approval of any other relevant authority, where applicable; and
- (e) fulfillment of all conditions attached to the above approvals, if any.

(v) Option Price

Subject to any adjustments in accordance with the By-Laws, the price at which a Grantee is entitled to subscribe for new Shares pursuant to the exercise of an Option (“**Option Price**”), is to be determined by the Option Committee, and which shall be the higher of the following:

- (a) at a discount of not more than ten per centum (10%) of the 5-day volume weighted average market price of the Shares, as quoted on Bursa Securities immediately preceding the Date of Offer, or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authority from time to time during the duration of the Proposed New ESOS; or
- (b) the par value of the Share.

The Option Price as determined by the Option Committee shall be conclusive and binding on the Grantees.

(vi) Ranking attaching to New Shares and Rights of a Grantee

The new Shares to be allotted and issued upon the exercise of the Options will, upon such allotment and issuance, rank *pari passu* in all respects with the then existing Shares in issue, save and except that the new Shares so issued will not be entitled to any right, dividend, allotment and/or other forms of distribution, the entitlement date (namely the date as at the close of business on which shareholders must be registered on the Register of Depositors in order to be entitled to any right, dividend, allotment and/or other forms of distribution) of which is declared or paid prior to the date of allotment of the new Shares to be issued upon the exercise of the Options.

The new Shares will be subject to all the provisions of the memorandum and articles of association of the Company relating to voting, transfer, transmission and/or otherwise of the Shares.

The Option shall not carry any right to vote at any general meeting of the Company and the Grantee shall not be entitled to any right, dividend, allotment and/or other forms of distributions on his unexercised Options. The new Shares allotted and credited into the Grantee’s Central Depository System account upon the exercise of the Options would, upon the exercise of the Option, carry rights to vote at any general meeting of the Company, provided that the shareholder is registered on the Register of Depositors on the entitlement date as at the close of business to be entitled to attend and vote at the general meeting.

(vii) Amendment and/ or modification to the Proposed New ESOS

To the extent as may be permitted under the Listing Requirements, prevailing laws, regulations, rules or guidelines issued by Bursa Securities and/or any other relevant regulatory authority in relation to an employee share option Proposed New ESOS, the Option Committee may at any time and from time to time recommend to the Board any addition, amendment, modification to and/or deletion of the By-Laws as it shall in its discretion think fit and the Board shall at any time and from time to time have the power by resolution to add to, amend, modify and/or delete all or any part of the By-Laws upon such recommendation.

The approval of the shareholders of the Company in general meeting shall not be required in respect of any additions, amendments to, modifications to and/or deletions of these By-Laws, provided that no addition, amendment, modification to and/or deletion of the By-Laws shall be made to the By-Laws which would:

- (a) prejudice any rights which have accrued to any Grantee without his prior consent; or
- (b) alter any matter which are required to be contained in the By-Laws by virtue of Appendix 6E of the Listing Requirements unless otherwise allowed by the provisions of the Listing Requirements.

The Option Committee shall, within ten (10) market days of any additions, amendments, modifications and/or deletions made pursuant to this By-Law, notify the Grantee in writing of any additions, amendments, modifications and/or deletions made pursuant to this By-Law.

(viii) Listing of and quotation for the new Shares

An application will be made to Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options on the ACE Market of Bursa Securities.

The new Shares to be allotted to the Grantee will not be listed or quoted on Bursa Securities until the Option is exercised in accordance with the provisions of By-Laws whereupon the Company shall, subject to the provisions of the memorandum and articles of association of the Company, the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Depository:-

- (a) issue and/or allot the Shares;
- (b) despatch a notice of allotment for the relevant number of Shares to the Grantee; and
- (c) apply for the quotation of such Shares,

within eight (8) market days or such period as Bursa Securities may prescribe, after the receipt of a valid notice in such form and manner as the Option Committee may prescribe or approve by the Grantee to notify the Company of his intention to exercise an Option ("**Notice of Exercise**") and remittance from the Grantee for the full amount of the subscription monies in relation to the number of Shares in respect of which the Notice of Exercise given from the Grantee. The new Shares to be issued pursuant to the exercise of Options will be credited directly into the Central Depository System account and no physical share certificates will be delivered to the Grantee.

(ix) Retention period

Unless otherwise stated in the By-Laws or as the Option Committee shall be entitled to prescribe or impose, the new Shares to be issued and allotted to the Grantee pursuant to the exercise of an Option under the Proposed New ESOS will not be subjected to any retention period or restriction on transfer. However, the Grantees are encouraged to hold the Shares as long-term investment and not for any speculative and/or realisation of any immediate gain to yield quick profit.

Notwithstanding this, a Selected Person who is a non-executive Director in the NOVAMSC Group (excluding subsidiaries which are dormant) must not sell, transfer or assign the Shares obtained through the exercise of Options offered to him/her within one (1) year from the Date of Offer or such other period as may be prescribed by the Listing Requirements or other prevailing applicable guidelines, regulations or law.

(x) Alteration of share capital and adjustment

In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, subdivision or consolidation of shares or capital reduction or any other variation of capital, the Option Committee may, in consultation with the external auditors of the Company or the Company's Adviser, determine whether:

- (a) the number of new Shares which an Eligible Person shall be entitled to subscribe for upon the exercise of each Option (excluding Options already exercised); and/or
 - (b) the Option Price,
- shall be adjusted.

3. UTILISATION OF PROCEEDS

The actual proceeds to be raised from the Proposed New ESOS will depend on the number of Options granted and exercised at the relevant point in time and the Option Price payable upon the exercise of the Options. As such, the exact amount of proceeds to be received and timeframe for the utilisation of proceeds are not determinable at this juncture.

The proceeds to be received by the Company from the exercise of the Options is intended to be utilised for NOVAMSC Group's working capital requirements. The estimated expenses for the Proposed New ESOS amounts to approximately RM200,000.

4. RATIONALE FOR THE PROPOSED NEW ESOS

The Proposed New ESOS serves to align the interests of the Eligible Persons to the corporate goals of NOVAMSC Group. The Proposed New ESOS will provide the Eligible Persons an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:

- (i) to recognise the contributions and/or services of the Eligible Persons which are considered vital to the operations and continued growth of the NOVAMSC Group;
- (ii) to motivate the Eligible Persons towards better performance through greater productivity and loyalty;
- (iii) stimulate a greater sense of belonging and dedication since Eligible Persons are given the opportunity to participate directly in the equity stake of the Company;
- (iv) reward Eligible Persons by allowing them to participate in the Company's profitability and eventually realise capital gains arising from any appreciation on the value of Shares.

The Proposed New ESOS is also extended to the Non-Executive Directors of NOVAMSC Group in recognition of their contribution to the growth and performance of NOVAMSC Group. The Proposed New ESOS is also expected to incentivise these Non-Executive Directors to continue providing strategic direction to NOVAMSC Group by allowing their equity participation in the growth and profits of NOVAMSC Group.

5. EFFECTS OF THE PROPOSED NEW ESOS

The proforma effects of the Proposed New ESOS on the share capital, NA per Share and gearing, consolidated earnings and EPS as well as the shareholdings of the substantial shareholders of NOVAMSC Group are set out in the ensuing paragraphs.

5.1 Issued and paid-up share capital

The Proposed New ESOS will not have an immediate effect on the existing issued and paid-up ordinary share capital of the Company. The issued and paid-up share capital of the Company will increase progressively depending on the quantum of Options granted and exercised and the number of new Shares issued pursuant thereto.

For illustration purposes, the proforma effects of the Proposed New ESOS on the issued and paid-up share capital of NOVAMSC as at the 6 July 2015, being the latest practicable date ("LPD"), are as set out below:

Minimum Scenario: Assuming none of the outstanding existing options issued as at the LPD pursuant to the Existing ESOS is exercised prior to the expiry on 30 October 2015.

Maximum Scenario: Assuming all of the existing options issued as at the LPD pursuant to the Existing ESOS are exercised prior to the expiry on 30 October 2015

For illustration purposes, the proforma effects of the Proposed New ESOS on the issued and paid-up share capital of NOVAMSC as at LPD before this announcement are as set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Existing as at the LPD	495,672,600	49,567,260	495,672,600	49,567,260
Shares to be issued upon full exercise of the Existing ESOS granted [#]	-	-	6,835,000	683,500
	495,672,600	49,567,260	502,507,600	50,250,760
To be issued pursuant to the full exercise of the Options to be granted under the Proposed New ESOS [^]	148,701,780	14,870,178	150,752,280	15,075,228
Enlarged issued and paid-up share capital	644,374,380	64,437,438	653,259,880	65,325,988

Notes:

[^] Assuming that the aggregate Shares to be issued pursuant to the exercise of the Options amount to thirty percent (30%) of the issued and paid-up share capital of the Company as at the LPD.

[#] Assuming that no further options are granted under the Existing ESOS. As at the LPD, the outstanding options granted under the Existing ESOS and not exercised are 6,835,000 options.

5.2 Net asset ("NA") per Share and gearing

The Proposed New ESOS will not have any immediate effect on the consolidated NA per Share and the gearing of NOVAMSC until such a time when the Options granted under the Proposed New ESOS are exercised. The proforma effects will depend on, amongst others, the number of new Shares to be issued upon the exercise of the Options and the Option Price.

The consolidated NA per Share following the exercise of the Options will increase if the Option Price exceeds the consolidated NA per Share at the point of exercise of the Options and conversely will decrease if the Option Price is below the consolidated NA per Share at the point of the exercise of the Options.

Whilst the granting of the Options under the Proposed New ESOS is expected to result in recognition of a charge in the statement of comprehensive income of NOVAMSC Group pursuant to the Financial Reporting Standards no. 2 – Share Based Payments ("**FRS 2**"), the recognition of such FRS 2 charge would not have any impact on the NA of NOVAMSC Group as the corresponding amount will be classified as an equity compensation reserve which forms part of the shareholders' equity. In the event none of the granted Options are exercised within the duration of the Proposed New ESOS, the amount outstanding in the said equity reserve would be transferred into the Company's retained earnings. On the other hand, if the granted Options are exercised, the amount outstanding in the said equity reserve would be transferred into the share premium account of the Company.

The Proposed New ESOS is not expected to have an immediate effect on the Group's gearing level until such a time when the Options granted are being exercised. The effect on the gearing will depend on the change in the NA, which in turn will depend on the actual number of new Shares to be issued pursuant to the exercise of the Options as well as the Option Price payable upon the exercise of the Options.

5.3 Earnings and earnings per share ("EPS")

The Proposed New ESOS is not expected to have any immediate effect on the earnings of NOVAMSC Group for the financial year ending 31 March 2016, save for the possible impact of FRS 2. However, any potential effect on the EPS of NOVAMSC Group in the future would depend on the impact of FRS 2, the number of Options exercised as well as utilisation of the proceeds raised from the Options exercised.

Under FRS 2, the potential cost arising from the issuance of the Options, which is measured by the fair value of the Options after taking into account, inter-alia, the number of Options granted and vested and the Option Price payable upon the exercise of the Options, will need to be measured at the grant date and to be recognised as an expense over the vesting period, and therefore may affect the future earnings of NOVAMSC Group, the quantum of which can be determined only at the grant date.

However, the Company has taken note of the potential impact of FRS 2 on NOVAMSC Group's future earnings and shall take into consideration such impact in the allocation and granting of Options to the Eligible Persons.

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5.4 Substantial shareholders' shareholdings

The Proposed New ESOS is not expected to have any immediate effect on the substantial shareholders' shareholdings in the Company. Any effect on the shareholdings of the substantial shareholders of the Company arising from the Proposed New ESOS will depend on the number of new Shares to be issued pursuant to the exercise of the Options.

The substantial shareholder (who is also the non-executive Chairman of NOVAMSC), Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar ("**TDSN**"), is entitled to participate in the Proposed New ESOS. As such, his shareholding in the Company will increase if he exercises his Options. For illustrative purposes, assuming that TDSN has been granted the maximum amount of Options and all other Options has been fully granted and exercised, the shareholdings of the substantial shareholders of NOVAMSC will be as follows:

Minimum Scenario

Shareholders	As at LPD				Proforma I			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Maybank Securities Nominees (Asing) Sdn Bhd	42,849,750	8.64	-	-	42,849,750	6.65	-	-
Maybank Kim Eng Securities Pte Ltd								
For Zylog Systems Asia Pacific Pte Ltd								
TDSN	5,160,000	1.04	45,178,150 ⁽¹⁾	9.11	74,926,094 ⁽²⁾	11.63	45,178,150 ⁽¹⁾	7.01
Raden Corporation Sdn Bhd	39,178,150	7.90	-	-	39,178,150	6.08	-	-

Notes:

- (1) Deemed interested by virtue of his directorship and substantial shareholding in Raden Corporation Sdn Bhd, by virtue of his directorship and substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which owns the entire issued and paid up capital of Pesaka Antah Holding Sdn Bhd and by virtue of the shares held by his brother Y.A.M Tunku Naqiyuddin Ibni Almarhum Tuanku Ja'afar pursuant to Section 6A of the Act.
- (2) Assuming that TDSN exercise his Options amounting to 69,766,094 Options, being the maximum amount of Options allowed to be granted to TDSN based on the shareholding as at the LPD and converted into 69,766,094 Shares.

Maximum Scenario

	As at LPD				Proforma I			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Shareholders								
Maybank Securities Nominees (Asing) Sdn Bhd	42,849,750	8.64	-	-	42,849,750	6.56	-	-
Maybank Kim Eng Securities Pte Ltd								
For Zylog Systems Asia Pacific Pte Ltd								
TDSN	5,160,000	1.04	45,178,150 ⁽¹⁾	9.11	75,113,394 ⁽²⁾	11.50	45,178,150 ⁽¹⁾	6.92
Raden Corporation Sdn Bhd	39,178,150	7.90	-	-	39,178,150	6.00	-	-

Notes:

- (1) Deemed interested by virtue of his directorship and substantial shareholding in Raden Corporation Sdn Bhd, by virtue of his directorship and substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which owns the entire issued and paid up capital of Pesaka Antah Holding Sdn Bhd and by virtue of the shares held by his brother Y.A.M Tunku Naquiyuddin Ibni Almarhum Tuanku Ja'afar pursuant to Section 6A of the Act.
- (2) Assuming that TDSN exercise his Options amounting to 69,953,394 Options, being the maximum amount of Options allowed to be granted to TDSN based on the shareholding as at the LPD and converted into 69,953,394 Shares.

5.5 Existing Convertible Securities

Save for the unexercised Options that has been granted under the Existing ESOS, NOVAMSC does not have any existing convertible securities as at LPD.

6. APPROVALS REQUIRED

The Proposed New ESOS is conditional upon the following approvals being obtained:

- (i) Bursa Securities, for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options granted under the Proposed New ESOS on the ACE Market of Bursa Securities;
- (ii) the shareholders of NOVAMSC at an Extraordinary General Meeting ("EGM") of the Company to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed New ESOS is not conditional upon any other corporate exercise, which has been announced but pending completion. For avoidance of doubt, the Company wishes to implement the Proposed New ESOS upon the expiry of the Existing ESOS on 30 October 2015.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The Company proposes to seek NOVAMSC's shareholders' approval for authority to grant Options to the Directors of NOVAMSC and to the Persons Connected with the Directors. As such, all Directors of NOVAMSC, by virtue of their eligibility to participate in the Proposed New ESOS, are deemed interested in respect of their respective allocations, if any ("**Interested Directors**"), as well as allocations to Persons Connected with them.

The Interested Directors have abstained and will continue to abstain from deliberating and voting in respect of their direct and/or indirect shareholdings in NOVAMSC on the resolutions in respect of their respective allocation as well as the allocations to the Persons Connected with them under the Proposed New ESOS, if any.

The Interested Directors of NOVAMSC will also abstain and have undertaken to ensure that Persons Connected with them will abstain from voting, in respect of their direct and indirect shareholdings in NOVAMSC, on the resolutions pertaining to their respective allocations as well as the allocations to the persons connected to them under the Proposed New ESOS, if any, to be tabled at an EGM to be convened.

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The direct and/or indirect shareholdings of the Directors, major shareholders and Persons Connected with them as at the LPD are as follows:

	< ----- Direct ----- >		< ----- Indirect ----- >	
	No of Shares	%	No of Shares	%
<u>Directors</u>				
TSDN	5,160,000	1.04	45,178,150 ⁽¹⁾	9.11
Chan Wing Kong	16,770,230	3.38	-	-
Victor John Stephen Price	9,428,211	1.90	-	-
Onn Kien Hoe	-	-	-	-
Chua Hock Hoo	-	-	-	-
Suresh Parthasarathy	-	-	-	-
<u>Major shareholders</u>				
TSDN	5,160,000	1.04	45,178,150 ⁽¹⁾	9.11
<u>Persons Connected</u>				
Maybank Securities Nominees (Asing) Sdn Bhd	42,849,750	8.64	-	-
Maybank Kim Eng Securities Pte Ltd For Zylog Systems Asia Pacific Pte Ltd ⁽²⁾				
Raden Corporation Sdn Bhd ⁽³⁾	39,178,150	7.90	-	-

Note:

- (1) Deemed interested by virtue of his directorship and substantial shareholding in Raden Corporation Sdn Bhd, by virtue of his directorship and substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which owns the entire issued and paid up capital of Pesaka Antah Holding Sdn Bhd and by virtue of the shares held by his brother Y.A.M Tunku Naquiyuddin Ibni Almarhum Tuanku Ja'afar pursuant to Section 6A of the Act.
- (2) Suresh Parthasarathy is a representative for Zylog Systems Asia Pacific Pte Ltd.
- (3) TSDN is a director and substantial shareholder in Raden Corporation Sdn Bhd.

Save as disclosed above, none of the Directors, major shareholders of the Company and/or Persons Connected with them has any interest, directly or indirectly, in the Proposed New ESOS.

8. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors who have abstained from expressing any opinion in relation to their respective allocations and/or Persons Connected with them under the Proposed New ESOS), having considered and deliberated on all aspects of the Proposed New ESOS (including but not limited to the rationale and effects in respect of the Proposed New ESOS), is of the opinion that the Proposed New ESOS is in the best interest of NOVAMSC. Accordingly, the Board (save for the Interested Directors who have abstained from expressing any opinion in relation to their respective allocations and/or Persons Connected with them under the Proposed New ESOS) recommends that you vote in favour of the resolutions in relation to the Proposed ESOS to be tabled at the forthcoming EGM.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed New ESOS is expected to be completed by the fourth quarter of 2015.

10. APPLICATION TO THE AUTHORITIES

The application to Bursa Securities in relation to the Proposed New ESOS shall be made within one (1) month from the date of this announcement.

11. ADVISER

RHBIB has been appointed as the Adviser for the Proposed New ESOS.

This announcement is dated 10 July 2015.