

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

PROPOSED SUBSCRIPTION OF 12,500 NEW ORDINARY SHARES IN CNA DEVELOPMENT PTE LTD (“CNAD”) (“CNAD SHARES”) REPRESENTING 20% OF THE ENLARGED ISSUED SHARE CAPITAL IN CNAD FOR A CASH CONSIDERATION OF SINGAPORE DOLLAR (“SGD”) 2,000,000 (EQUIVALENT TO RM6,123,800.00 BASED ON THE EXCHANGE RATE OF SGD1.000: MALAYSIAN RINGGIT (“MYR”) 3.0619 AS AT 5 NOVEMBER 2015 QUOTED IN THE WEBSITE OF BANK NEGARA MALAYSIA (“CURRENT EXCHANGE RATE”)) (“SUBSCRIPTION CONSIDERATION”) (“PROPOSED SUBSCRIPTION”)

1. INTRODUCTION

The Board of Directors of NOVAMSC (“**Board**”) wishes to announce that the Company had, on 6 November 2015 entered into a conditional subscription agreement (“**Subscription Agreement**”) with CNAD for the proposed subscription of 12,500 new CNAD Shares (“**Subscription Shares**”) representing 20.00% of the enlarged issued share capital in CNAD, a company incorporated in Singapore, for a cash consideration of SGD2,000,000 (equivalent to RM6,123,800 based on the exchange rate of SGD1: MYR3.0619 as at 5 November 2015 quoted in the website of Bank Negara Malaysia).

2. DETAILS OF THE PROPOSED SUBSCRIPTION

2.1 Background information of CNAD

Deloitte & Touche LLP, the judicial manager of CNA Group Ltd (being the former holding company of CNAD) (“**CNA Group**”) had on 29 October 2015 announced in the Singapore Stock Exchange that CNA Group has, on 28 October 2015, entered into a sale and purchase agreement with Michael Ong Liang Huat, the Group President and Chief Executive Officer and an Executive Director of CNA Group prior to CNA Group being placed under judicial management, and CNAD for the divestment of the CNA Group’s business in Singapore to CNAD (“**Singapore Business**”) (“**Divestment**”) effected via the transfer CNAD’s entire issued share capital to Michael Ong Liang Huat.

Pursuant to the Divestment:

- (1) CNAD is no longer a subsidiary of CNA Group; and
- (2) the transfer of assignment, novation and transfer of related contracts, licences, intellectual property rights, goodwill, employees, equipment and other assets used for the Singapore Business to CNAD is currently in progress.

2.2 Basis and justification of arriving at Subscription Consideration

The Subscription Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the funding requirements of CNAD and the future potential benefits to be derived from the Singapore Business that is to be transferred to CNAD.

2.3 Mode of settlement

The Subscription Consideration will be fully satisfied by way of cash consideration of SGD2,000,000 (equivalent to RM6,123,800) to be paid within five (5) market days from the date in which the Subscription Agreement becomes unconditional (“**Subscription Date**”).

NOVAMSC intends to fully fund the Subscription Consideration from internally generated funds.

2.4 Ranking of the Subscription Shares

The Subscription Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of CNAD, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the said CNAD Shares.

2.5 Liabilities to be assumed by NOVAMSC

Save for the obligations and liabilities arising in and arising from, pursuant to or in connection with the Subscription Agreement, there are no other liabilities including contingent liabilities and guarantees to be assumed by NOVAMSC arising from the Proposed Subscription.

2.6 Additional financial commitment required

At the date of this Announcement, save for the Proposed Subscription, there are no additional financial commitments required by NOVAMSC to put the business of CNAD on-stream.

3. INTER-CONDITIONALITY

The Proposed Subscription is not conditional upon any other proposals of the Company.

4. INFORMATION OF CNAD

CNAD was incorporated in Singapore under the Companies Act (Chapter 50) (“**Act**”) on 24 February 2000. As at 5 November 2015, being the latest practicable date prior to this Announcement (“**LPD**”), its issued share capital is SGD50,000 (equivalent to RM153,095 based on the Current Exchange Rate) comprising 50,000 CNAD Shares.

As at the LPD, the principal activities of CNAD are those relating to an investment holding and letting of properties. Subsequent to the injection of the Singapore Business, the principal activities of CNAD include the provision, design and implementation of integrated control and automation systems and information technology (“**IT**”) solutions for buildings and facilities, and provision of engineering maintenance services.

The shareholders and directors of CNAD and their respective shareholding in CNAD as at the LPD are as follows:

Director/Shareholders	No. of ordinary shares	%
<u>Shareholder</u>		
Michael Ong Liang Huat	18,750	37.50
Stone Villa Limited	31,250	62.50
<u>Directors</u>		
Michael Ong Liang Huat	18,750	37.50
Shen Meei Juan	-	-

As at the LPD, CNAD does not have any subsidiary and/or associate companies.

A summary of the financial information of CNAD for the past three (3) financial years up to the financial year ended (“FYE”) 31 December 2014 and the unaudited nine (9)-month financial period ended (“FPE”) 30 September 2015 is set out as follows:-

	<-----Audited----->		<-----Unaudited----->	
	<-----FYE 31 December----->		FYE 31 December 2014	9-month FPE 30 September 2015
	2012	2013		
	SGD	SGD	SGD	SGD
Revenue	324,000	324,000	324,000	270,000
Profit/ (Loss) before taxation	142,614	177,638	(41,629)	(1,203,308)
Profit/ (Loss) after taxation	141,614	149,090	(54,458)	(1,203,308)
Net assets	1,168,092	1,317,182	1,262,724	59,416

5. SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

5.1 Conditions precedent

The Subscription Agreement and the obligations of NOVAMSC and CNAD under the Subscription Agreement are subject to and conditional upon the satisfaction of the following conditions precedent within 60 days from 6 November 2015, being the date of execution of the Subscription Agreement or such other date as may be mutually agreed between NOVAMSC and CNAD (“**Satisfaction Date**”):

- (a) CNAD's shareholders and board of directors approving by resolution the issue of the Subscription Shares to NOVAMSC (or its nominee) in accordance with the agreed Subscription Consideration;
- (b) the approval of the Board for the subscription by NOVAMSC of the Subscription Shares;
- (c) evidence to the satisfaction of NOVAMSC that all the contracts from CNA Group are/will be novated to CNAD and for contracts that are not novated, the work to be carried out under the contracts are/will be sub-contracted by CNA Group to CNAD;
- (d) the assignment and/or transfer of all intellectual property to CNAD to the satisfaction of NOVAMSC and/or a statutory declaration from CNAD that the intellectual property belongs to CNAD;
- (e) evidence to the satisfaction of NOVAMSC that all employees have been transferred to CNAD upon terms which are to the satisfaction of NOVAMSC; and
- (f) satisfactory completion of a legal and financial due diligence on CNAD by NOVAMSC.

If the conditions precedent set out above are not satisfied or waived on or before 5:00 pm on the Satisfaction Date, the Subscription Agreement shall terminate and be of no force or effect, and each party will be released from obligations and liabilities under the Subscription Agreement except for any obligations or liabilities arising or relating to the period before the termination date.

5.2 Completion

The parties acknowledge and agree that:

- (a) completion of the Proposed Subscription does not occur, and shall be taken not to have occurred, unless and until all of the obligations of the parties under the Subscription Agreement in regards to the payment of the Subscription Consideration, issuance of the share certificate and issuance of the Subscription Shares have been satisfied; and
- (b) if any obligation specified in **Section 5.2(a)** above are not performed on the due date then, without prejudice to any other rights of the parties, any document delivered or payment made pursuant to those obligations must be returned to the party that delivered such document or paid such amount.

5.3 Warranties, representations and undertakings

5.3.1 Representations and warranties by CNAD

CNAD represents and warrants to NOVAMSC that, as at the date of Subscription Agreement and separately as at the date on which the Subscription Shares are issued to NOVAMSC, except as otherwise fairly disclosed by CNAD to NOVAMSC in writing and countersigned by the NOVAMSC prior to the date of Subscription Agreement:

- (a) Registration: it is a company as that expression is defined in the the Act having limited liability, registered (or taken to be registered) and validly existing under the Act;
- (b) Authority: it has full power and authority to enter into Subscription Agreement and to perform its obligations under it;
- (c) Corporate authorisations: it has taken all necessary action to authorise the execution, delivery and performance by it of Subscription Agreement in accordance with its terms;
- (d) Binding obligations: the Subscription Agreement constitutes its legal, valid and binding obligations and is enforceable in accordance with its terms;
- (e) Issue of Subscription Shares: it has full power and authority and has obtained all third party consents necessary to allot and issue the Subscription Shares to NOVAMSC in accordance with applicable law;
- (f) Subscription holding: the issue of the Subscription Shares will give the NOVAMSC the equivalent number of Shares necessary to obtain a 20% holding in the issued CNAD Shares;
- (g) Ranking: the Subscription Shares will be credited as fully paid and rank *pari passu* in all respects with all other CNAD Shares on issue;
- (h) Title to Subscription Shares: upon issue of the Subscription Shares, the NOVAMSC will acquire full legal and beneficial title to the Subscription Shares, free and clear of any encumbrance;
- (i) No event of insolvency: no event of insolvency has occurred in relation to CNAD or a member of CNAD, nor is there any act which has occurred or to the best of its knowledge, is anticipated to occur which is likely to result in an event of insolvency in relation to CNAD or a member of CNAD;
- (j) Compliance with applicable law: CNAD and each member of CNAD is in compliance in all material respects with the applicable laws; and

- (k) Representations and warranties: the representations and warranties set out in the Subscription Agreement are true and accurate in all respects.

5.3.2 Representations and warranties by NOVAMSC

NOVAMSC represents and warrants to CNAD that, as at the date of the Subscription Agreement and separately as at the date on which the Subscription Shares are issued to NOVAMSC, except as otherwise fairly disclosed by NOVAMSC to CNAD in writing prior to the date of Subscription Agreement:

- (a) Authority: it has full power and authority to enter into Subscription Agreement and to perform its obligations under it;
- (b) Binding obligations: the Subscription Agreement constitutes its legal, valid and binding obligations and is enforceable in accordance with its terms; and
- (c) No breach: the Subscription Agreement and the Proposed Subscription does not conflict with or result in a breach of any of NOVAMSC's legal obligations (including any statutory, contractual or fiduciary obligation) or constitute or result in any default under any provision of its constitution or any material provision of any agreement, deed, writ, order, injunction, judgment, law, rule or regulation to which it is a party or is subject or by which it is bound; and
- (d) Corporate authorisations: it has taken all necessary action to authorise the execution, delivery and performance by it of Subscription Agreement in accordance with its terms.

For the avoidance of doubt, these representations and warranties shall survive the completion or termination of the Subscription Agreement.

5.4 Termination of agreement

If any of the requirements pursuant to the Proposed Subscription as set out in the Subscription Agreement with regard to, amongst others, subscription of shares, payment of Subscription Consideration, issuance of Subscription Shares and completion are not completed or satisfied or are not capable of being satisfied, the Subscription Agreement may be terminated at any time by CNAD or NOVAMSC by notice to the other party.

5.5 Governing law

Subscription Agreement shall be governed by and construed in accordance with the law from time to time in Singapore and the parties agree to submit to the non-exclusive jurisdiction of the courts of Singapore and the courts which hear appeals therefrom.

6. RATIONALE FOR THE PROPOSED SUBSCRIPTION AND PROSPECT OF CNAD

Deloitte & Touche LLP, the judicial manager of CNA Group, had on 29 October 2015 announced in the Singapore Stock Exchange that CNA Group has, on 28 October 2015, entered into a sale and purchase agreement with Michael Ong Liang Huat, the Group President and Chief Executive Officer and an Executive Director of CNA Group prior to CNA Group being placed under judicial management, and CNAD for the divestment of the Singapore Business.

Prior to the judicial management, the Singapore Business was involved in the provision, design and implementation of integrated control and automation systems and IT solutions for buildings and facilities to customers in the various industries including amongst others, the healthcare industry, airport, transportation industry, highways, industrial products and water reclamation plant.

Subsequent to the Divestment, the Singapore Business would detach from CNA Group (which is currently under judicial management) and CNAD would be able to start bidding for government contracts which has always been the core activity for the Singapore Business. As mentioned in the same announcement by Deloitte Touche LLP, the Singapore Business would require additional funds to enable it to continue and NOVAMSC is providing the necessary funds vide the Proposed Subscription.

The management of NOVAMSC is of the view that the prospects for CNAD are favourable and the Proposed Subscription is able to synergistically benefit NOVAMSC as it would allow for NOVAMSC to utilize the network of CNAD as well as to package the offerings of NOVAMSC together with that of CNAD to provide comprehensive solutions potential customers.

7. RISK FACTORS

7.1 Competition risk

CNAD may face competition from existing competitors and new entrants into the market in the future, both locally and internationally, which offers similar products and services.

Further, as CNAD has only recently acquired the Singapore Business, it would be in a weaker footing as compared to some of the competitors which may have greater resources than CNAD, in terms of product pricing, finance, technical and human resources and others. The competitors may be able to respond faster to new or emerging technologies and changes in customer preference or to devote greater resources to the development, promotion, sale and service of their products and services.

There can be no assurance that CNAD would be able to sustain its competitiveness against current and future competitors and derive the expected benefits to NOVAMSC.

7.2 Rapid technology change

The markets for IT related products and services are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications and frequent new product introductions and enhancements.

While CNAD may enhance its existing technologies and applications, timely development of new or enhanced products and services is a complex and uncertain process. Further, CNAD may experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of our products and services, as well as new products and services and enhancements.

7.3 Completion risk

There is a possibility that the Proposed Subscription may not be completed due to failure in fulfilling the conditions precedent as set out in **Section 5.1** of this Announcement within the timeframe prescribed therein.

Nevertheless, the Board will take reasonable steps to ensure that such conditions precedent are met and fulfilled within the prescribed timeframe in order to complete the Proposed Subscription in a timely manner.

8. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

The financial effects of the Proposed Subscription are as follows:

8.1 Issued and paid-up share capital

The Proposed Subscription will not have any effect on the issued and paid-up share capital of the Company.

8.2 NA and gearing

The Proposed Subscription is not expected to have material effect on the consolidated net assets per share and gearing of the Company as at 31 March 2016.

8.3 Earnings and earnings per share

The Proposed Subscription is not expected to have any material effect on the consolidated earnings and earnings per share of the Company for the FYE 31 March 2016. However, the Proposed Subscription is expected to contribute positively to the future consolidated earnings of the NOVAMSC and its subsidiaries ("**NOVAMSC Group**").

8.4 Dividends

The Proposed Subscription is not expected to have any immediate effect on the dividends to be declared (if any) by the Company. Any dividends to be declared and paid by NOVAMSC in the future will depend on, amongst others, the profitability and cash flow position of the enlarged NOVAMSC Group.

8.5 Substantial shareholders' shareholdings

The Proposed Subscription has no material effect to the substantial shareholders' shareholding.

9. APPROVALS REQUIRED

Save for the approval of the directors and shareholders of CNAD, the Proposed Subscription is not subject any other approvals including, the approval of the shareholders of the Company and any relevant regulatory authorities in Malaysia or Singapore.

10. HIGHEST PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Subscription is 16.16% pursuant to Rule 10.02(g)(iii) of the ACE Market Listing Requirements and based on the latest audited financial statements of NOVAMSC for the FYE 31 March 2015.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors and/or major shareholders of the Company and/or any persons connected with them have any interest, whether direct or indirect, in the Proposed Subscription.

12. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Subscription, including the basis and justification of arriving at Subscription Consideration, rationale, prospects, risk factors and financial effects as set out in **Sections 2.3, 6, 7 and 8** respectively of this announcement, is of the opinion that the Proposed Subscription are in the best interest of NOVAMSC and the terms and conditions in the Subscription Agreement are fair and reasonable.

13. ESTIMATED TIMEFRAME TO COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Subscription to be completed by the fourth (4th) quarter of the calendar year 2015.

14. DOCUMENTS FOR INSPECTION

The Subscription Agreement is available for inspection during normal office hours at the registered office of NOVAMSC located at No. 1 & 1A, 2nd Floor (Room 2), Jalan Ipoh Kecil, 50350 Kuala Lumpur from Mondays to Fridays (except public holidays) for a period of three (3) months from date of this Announcement.

This announcement is dated 6 November 2015.